ANNUAL REPORT 2000

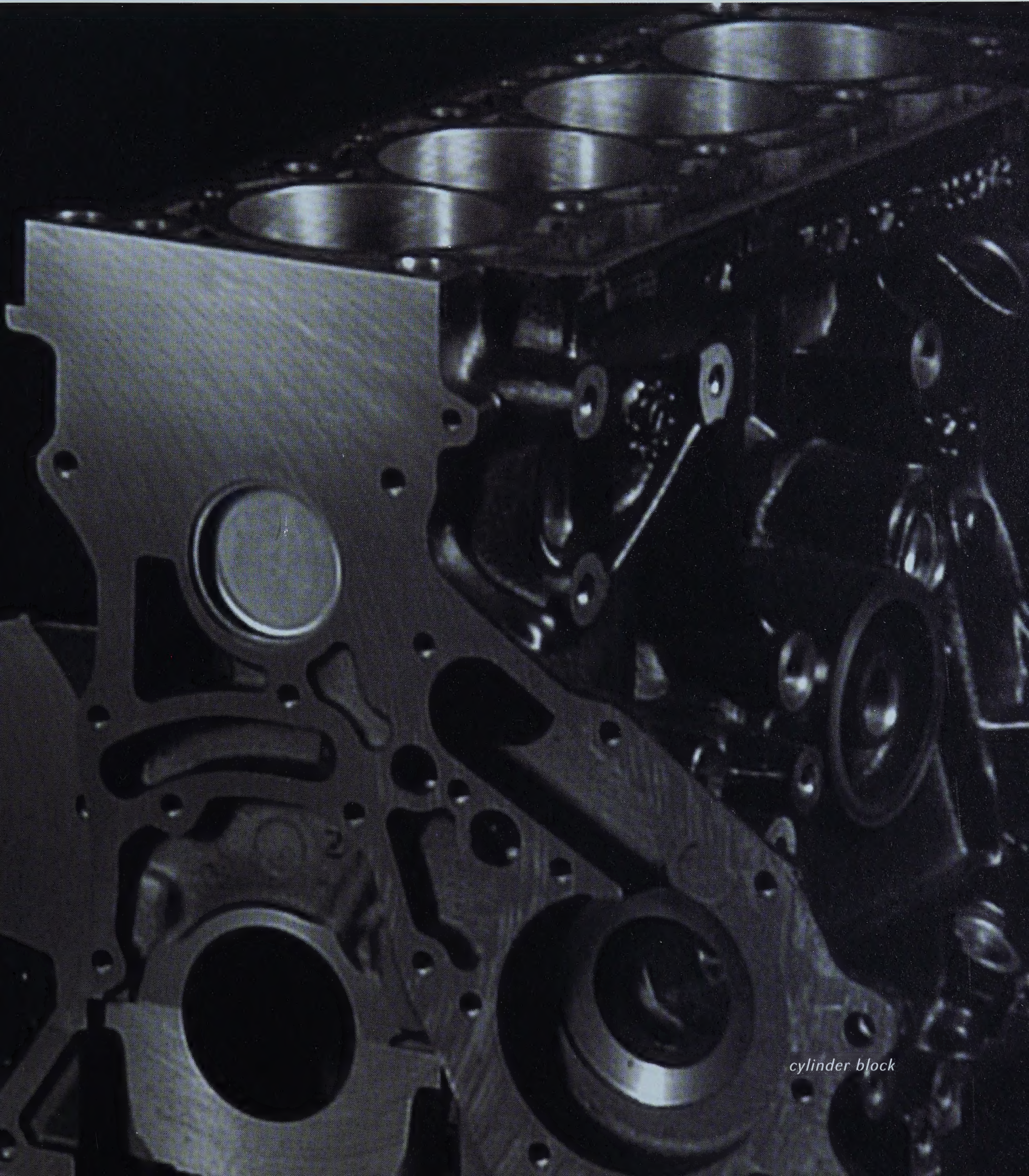
EXPANDING THE OPEN ROAD

Linamar

CONTENTS

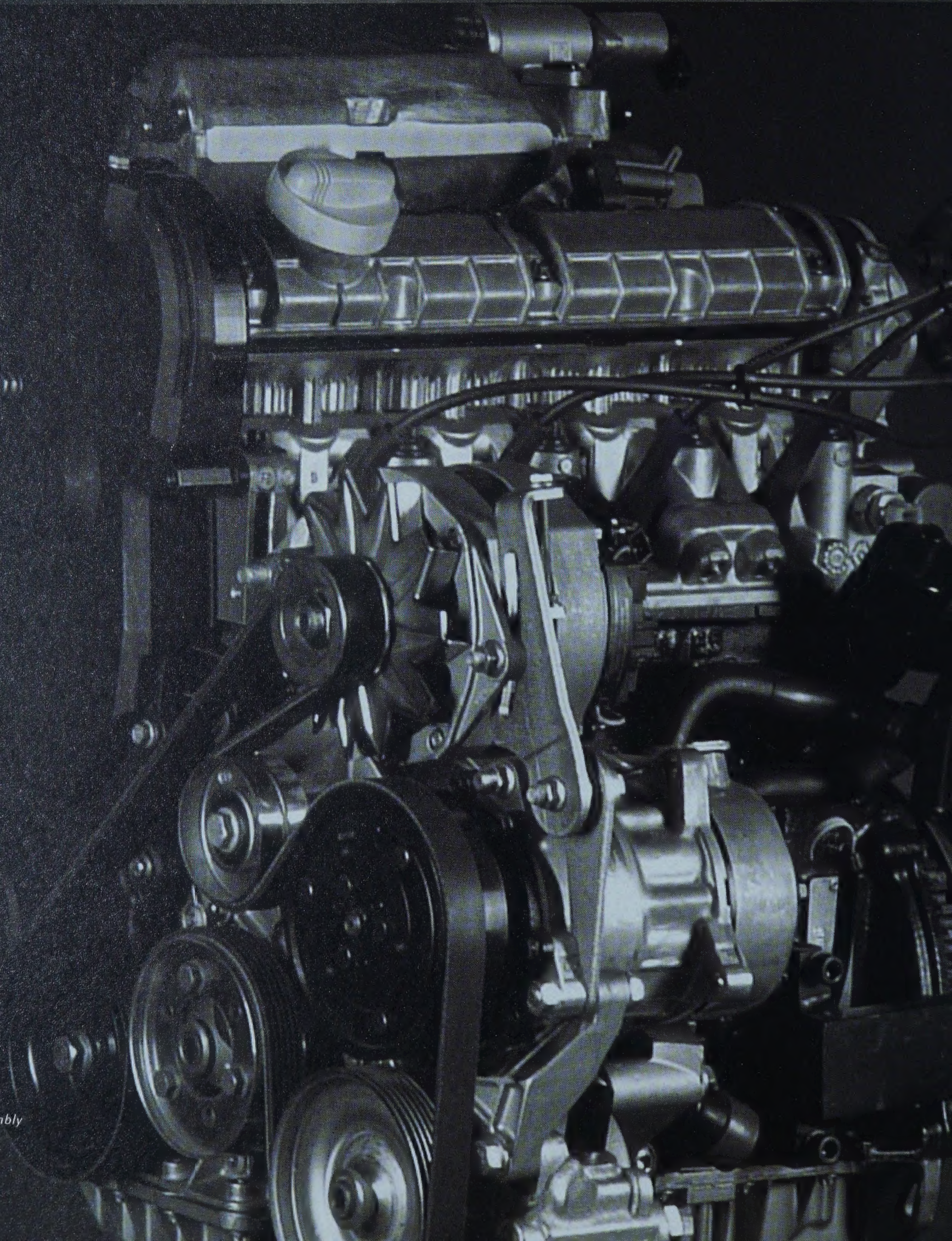
components shown on the front cover (l to r):
cylinder head, steering gear housing, rotor, differential case

LINAMAR CORPORATION 2000 ANNUAL REPORT



cylinder block

The Company's Annual Meeting
will take place at the River Run Centre, 35 Woolwich Street, Guelph, Ontario – Thursday, May 3rd, 2001 at 6:00 p.m.



engine assembly

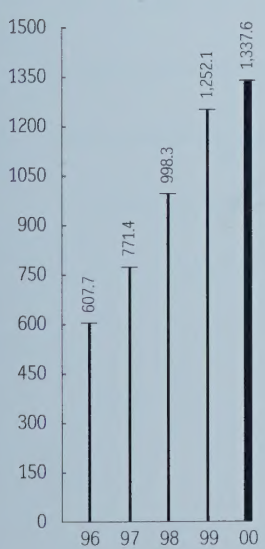
FINANCIAL HIGHLIGHTS

(millions of dollars, except share related information)

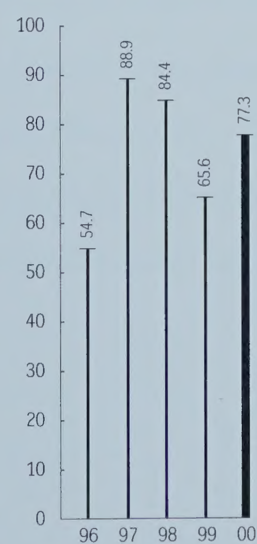
Year Ended December 31	2000	1999	1998	1997	1996
Statement of Earnings					
Sales	$ 1,337.6	$ 1,252.1	$ 998.3	$ 771.4	$ 607.7
Operating Earnings	120.4	106.5	127.8	134.4	86.4
Net Earnings	77.3	65.6	84.4	108.4	61.6
Net Earnings Excluding Non-Recurring Items	$ 77.3	$ 65.6	$ 84.4	$ 88.9	$ 54.7
Share Information					
Fully Diluted Earnings Per Share	$ 1.10	$ 0.92	$ 1.17	$ 1.51*	$ 0.87*
Fully Diluted Earnings Per Share Excluding Non-Recurring Items	$ 1.10	$ 0.92	$ 1.17	$ 1.24*	$ 0.78*
Weighted Average Number of Common Shares Outstanding	68,742,776	70,440,391	70,383,476	68,494,662*	66,969,276*
Market Price TSE High	$ 17.00	$ 29.25	$ 33.50	$ 30.77*	$ 14.67*
Low	8.90	10.10	19.25	14.17*	6.83*
Close	$ 11.25	$ 13.75	$ 26.00	$ 27.67*	$ 14.67*
Financial Position					
Total Assets	$ 894.4	$ 838.9	$ 691.6	$ 542.7	$ 383.2
Capital Assets	507.6	472.4	400.2	242.6	204.5
Long-Term Debt	14.3	4.0	5.8	8.4	18.1
Shareholders' Equity	$ 513.8	$ 469.5	$ 423.3	$ 346.6	$ 240.7
Other Financial Information					
Cash from Operating Activities	$ 166.1	$ 91.9	$ 67.6	$ 146.9	$ 128.5
Payments for Capital Assets	174.5	168.5	171.2	88.4	89.5
Amortization	91.5	84.8	58.5	49.4	40.5
Working Capital	$ 45.0	$ 35.0	$ 71.3	$ 140.2	$ 52.5

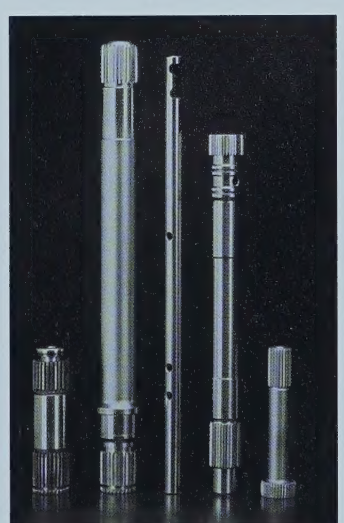
** Reflects the 3 for 1 stock split of May 1998*

Sales
$ (millions)

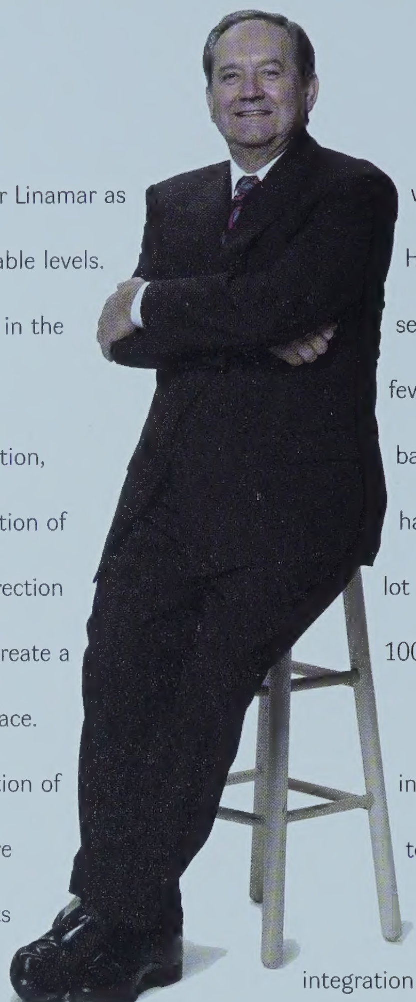


Net Earnings
Excluding Non-Recurring Items
$ (millions)





transmission shafts

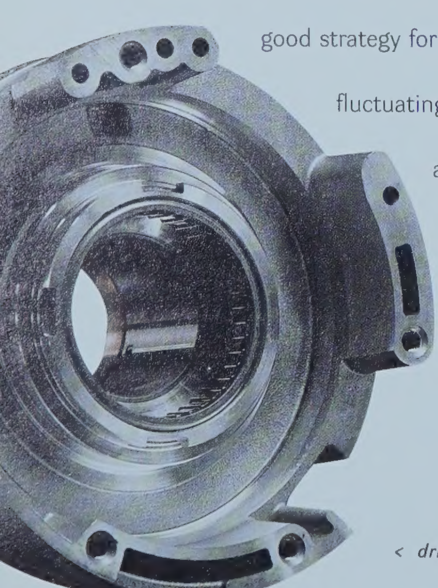


2000 has been an exciting year for Linamar as our many new facilities reached more stable levels. 2000 was also a year of ongoing change in the automotive industry.

Dynamics such as OEM rationalization, supply chain consolidation and globalization of platforms coupled with a short-term correction in vehicle production are combining to create a tremendous opportunity in the marketplace.

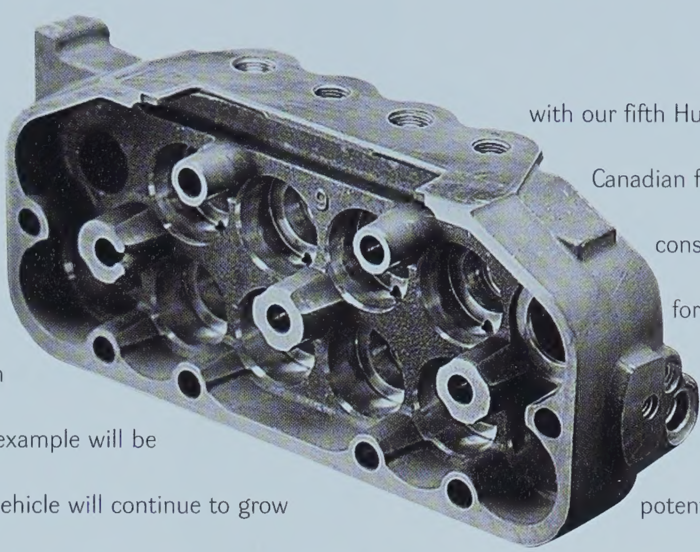
OEM rationalization and globalization of platforms are both serving to create more opportunities for higher volume contracts supplying a wider variety of vehicles. Spreading production across a wide range of vehicles is a good strategy for minimizing risk associated with fluctuating model demand. Creating such a platform coverage has always been a key part of Linamar's marketing strategy, thereby working well with this industry driver. Higher volume contracts offer less risk than several low volume contracts as they mean fewer learning curves during launch and more bang for your buck when improvements happen – an idea that saves $1 per piece is a lot more lucrative at 1 million per year than 100,000 per year.

Supply chain consolidation and integration is another major dynamic in today's automotive industry and one which Linamar certainly subscribes to. Vertical integration from casting through assembly has allowed us to provide the one stop shopping our customers are looking for, while at the same time allowing better control over supply and adding value to existing products. These moves, in conjunction with increasing our penetration into more and more precision-machined components in the vehicle, have allowed Linamar to continue to grow our



< *driven sprocket assembly*

< *knuckle*



content per vehicle each year. This factor has always been a key part of Linamar's marketing strategy as it minimizes risk associated with industry downturns. A good example will be 2001, when our content per vehicle will continue to grow resultant from new programs currently being launched. This growth will serve to temper the pressure on sales felt from a downturn in the automotive cycle.

This correction in the automotive cycle will, as always, be short-term within the long-term global growth curve of the industry. It will be a time of exceptional opportunity, with increased OEM attention to outsourcing as a cost cutting measure. Our strategy is to market aggressively at this time to build a very strong platform of market penetration and vehicle content from which rapid growth will evolve upon resumption of industry growth.

2001 will be a year of continued growth for Linamar, with our fifth Hungarian and twenty-first Canadian facilities completing construction. Our newly formed minority Joint Venture, Minsor, looks to have excellent growth potential as well by providing our customers with minority sourcing dollars combined with thirty-five years of expertise in precision machining – a recipe for success by all indicators.

The automotive industry continues to be an exciting one, full of opportunity which Linamar is poised to take full advantage of.

Frank J. Hasenfratz, Chairman & CEO

part shown above: valve body

2000 was a year of recovery for Linamar. In 1999, we set an objective for ourselves of focusing on the bottom line and strengthening the foundation of our growing company. The formula was a very successful one for us as dramatic improvements in earnings were realized quarter after quarter. Earnings for the year of $1.10 per share reflect a 20% increase over 1999 levels, quite a different picture from a low point in the fourth quarter of 1999 of only $0.11 per share, and significantly in excess of sales growth levels of 7%. This remarkable recovery is attributable to the diligence of our new facilities in reaching profitability and the enthusiasm of our mature facilities in finding cost savings through our unique Cost Attack Team reviews.

The strategy played out in 1998 of positioning Linamar to take advantage of markets of opportunity from a global perspective, a product perspective and a process perspective has certainly paid dividends. New order intake in 2000 reached a record $395 million by year end, an unprecedented achievement indicative of our customers' confidence in our capabilities. Despite such, we must continue to remain aware of our customer's changing needs to ensure our product complement is complete and robust, and our capabilities reflect the breadth demanded of a full service supplier to the highly engineered systems of the vehicle. Our focus in 2001 from a strategic perspective will be achievement of such.

< *steering valve housing*

Operationally, our focus in 2001 will be targeted in all three areas of customer satisfaction, employee satisfaction and financial satisfaction.

From an employee perspective, we are committed to finding ways to increase the skill level of our people, technically and otherwise. Our unique, hands on training programs are dedicated to ensuring employees have all the necessary job skills as well as a thorough understanding of company goals, objectives, philosophies and operational practices. Continued improvement of our communication

< crankshaft

systems and information generation and sharing methods is another key element in ensuring employees are more involved in decision making.

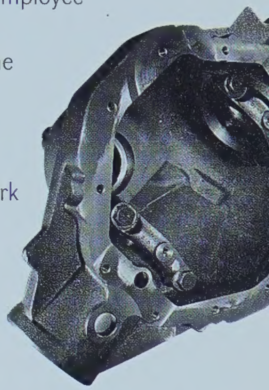
At Linamar, we recognize that finding the right jobs to maximize our return on investment will only lead to success when coupled with putting the right people in the right places.

Financially, Linamar will continue to focus heavily on areas for cost improvement. No matter how lean an organization or process, there is always opportunity for improvement, a fact evidenced by the success of our continuous improvement program.

For our customers, we will work to maximize the effectiveness of our operating system in order to meet and exceed ever increasing standards of quality, cost and delivery performance. Approaching quality proactively not reactively is a key element in achieving such and remains a key part of our philosophy.

A significant factor in strengthening the foundation of Linamar has been a reemphasis across the company on the key core philosophies which have brought the company to a point of being the largest global manufacturer of precision machined components to the automotive industry.

The responsiveness of Linamar to all stakeholders, the continual balancing of customer, financial and employee satisfaction, the innovative use of technology, the strong entrepreneurial spirit of our very decentralized structure, and an unsurpassed work ethic all combine to create a company poised for growth and thereby creation of an environment of opportunity for all employees.

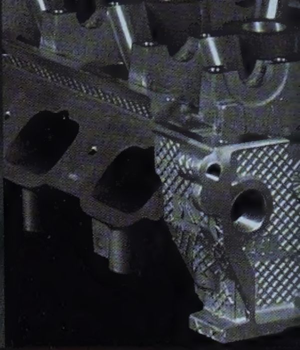


Though 2001 will be another challenging year as the automotive industry undergoes a correction, it will also bring with it exceptional opportunities for rapid growth as industry volumes pick up again and Linamar's newly launched programs and facilities reach full potential. With a strong foundation, product expertise in expanding markets, full service supplier capability in hand, and the global locations necessary to satisfy our customers' global needs, Linamar is poised for an exciting future.

Linda Hasenfratz, President

part shown above: carrier

cylinder head >



Linamar's design engineering in progress

NEW OPPORTUNITIES WILL EXPAND THE OPEN ROAD

The Company: Linamar Corporation is a global manufacturer of precision-machined components, assemblies and castings primarily for the automotive industry.

The Company is focused on maintaining the low cost, high quality, on-time reputation for manufacturing that has facilitated its growth. Sales revenue for the year ended December 31, 2000 was $1.34 billion. Linamar has come a long way from the one-man operation started by the current Chairman of the Board and CEO, Frank Hasenfratz, in the basement of his home in Ariss, Ontario 35 years ago. In 1986, Mr. Hasenfratz further ensured the success and growth of Linamar by taking the Company public. Linamar has successfully traded on The Toronto Stock Exchange since that time.

Linamar utilizes a strategy of balancing customer, employee and financial satisfaction as the basic premise of running the business. This strategy permeates every business decision in every department, driving operations systems and even compensation systems.

Though the Company was founded on machining for the defense, aerospace and automotive industries, a decision was made in the mid 1980's to focus primarily on the automotive sector. As the automotive industry's requirements for high precision machining grew during the 1980's, Linamar became an established supplier. In 2000, the automotive industry accounted for 90% of the Company's total sales.

The Company's expertise in the machining and assembly of various automotive systems and components – engine, transmission, drivelines, steering, suspension and brake components – its solid lean, entrepreneurial management organizational structure, and its dedication to leading edge technology are all key ingredients in what makes Linamar so successful. These systems of infrequent design and therefore for long-term contracts and good sales visibility also happen to be the least outsourced areas of the vehicle and therefore those of greatest potential.

Linamar's technical strength across a wide range of precision-machined components within the vehicle's highly engineered systems is a key competitive advantage. Particular attention has

Jim Jarrell, Chief Operating Officer

been given over the past few years to gaining product expertise in areas of the market, which are currently expanding. With the majority of precision-machined components in the vehicle still not available to the supply base, it is very important to be able to demonstrate capability and competency on those components next in line for outsourcing. Linamar has been very successful in this regard with acknowledged expertise in the manufacturing of several critical complex components, such as cylinder heads, transmission cases, cylinder blocks and camshafts to name a few.

Linamar has recently taken the Company's precision machining core and enhanced it by the establishment of several facilities dedicated to complementary processes. Two foundries, one lost foam and one ductile iron, are currently in operation in North America, with a third foundry under construction in Hungary with Joint Venture partner Wescast Industries currently. The two facilities in North America are primarily focused on assembly operations, expanding on the many sub assemblies most facilities produce. The final element in being the full service supplier our customers have demanded is design capability. Linamar has responded to such with the establishment in recent years of a product development team which works hand in hand with customer engineering groups.

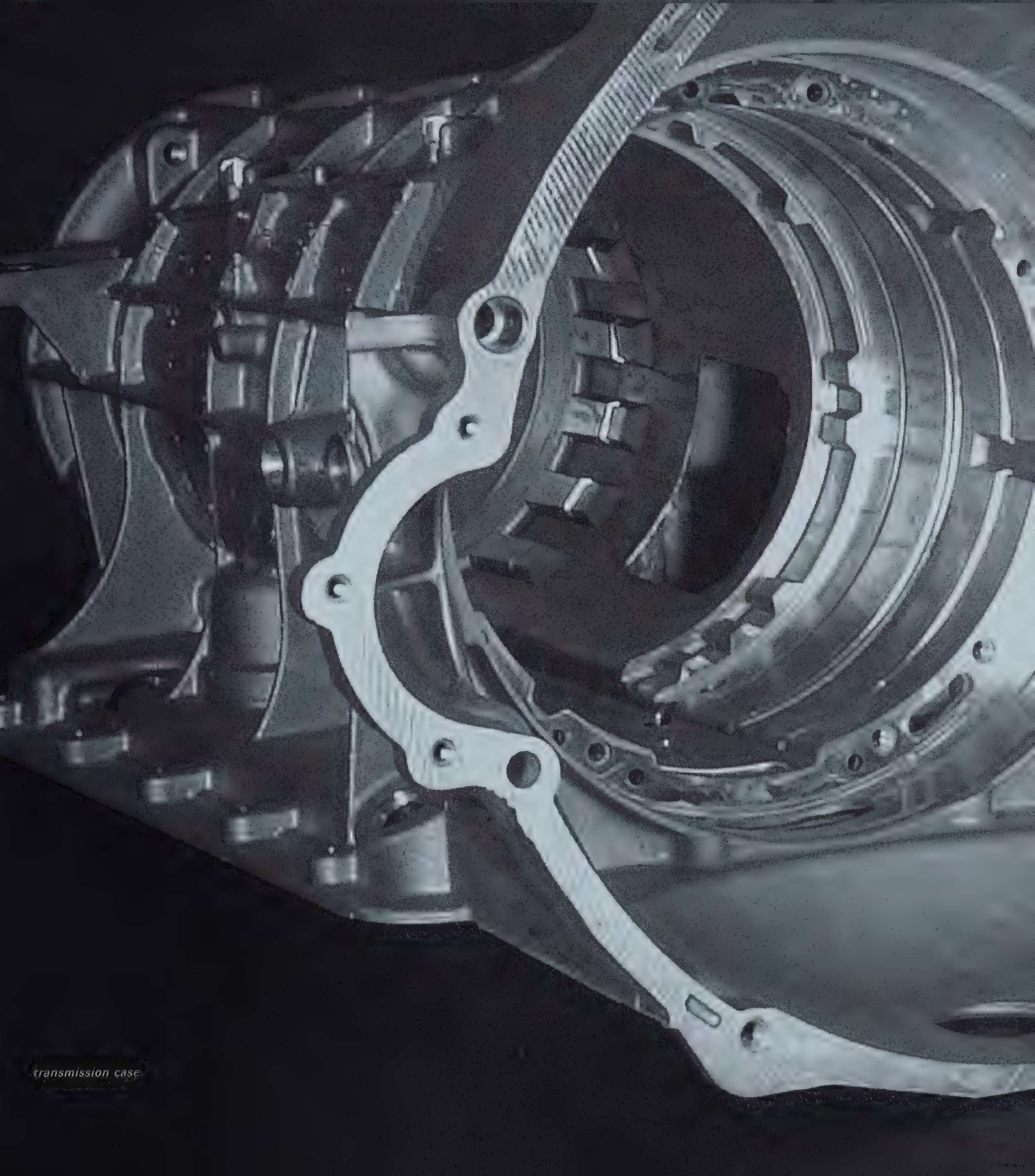
< *oil pump*

Organizational Structure: One of the main ingredients to Linamar's success has been the drive of its hands-on highly responsive management team. Operating through twenty-nine autonomous facilities, each with its own cross functional management team, Linamar has in excess of 2.6 million square feet of manufacturing floor space and employs over 8,600 people worldwide. The Company's capital resources and decentralized organizational structure grant the ability to expand any of Linamar's current facilities, or build a facility to suit a customer's needs quickly and efficiently. Significant interplant interaction of many disciplines and levels ensure performance at all facilities is optimized through sharing of Best in Practice techniques and problem solving ideas. Corporate overhead is kept to a minimum with teams of facility personnel known as Amalgamated Stakeholder Groups, addressing key corporate issues such as maximizing quality performance and minimizing cost.

Linamar's headquarters is located in Guelph, Ontario, along with a significant percentage of the Company's manufacturing capacity. This places considerable capacity within a 200-mile radius of Detroit, Michigan, the core of the North American automotive industry. The Company's European manufacturing capacity operated by its

part shown above: brake caliper

< steering rack

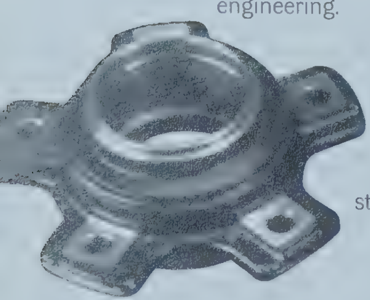


transmission case

Mezögép Rt. subsidiary is located in South Eastern Hungary. Hungary is centrally located in Europe making it ideally situated for penetration into European markets. The Company's Mexican manufacturing capacity located in North Central Mexico is ideally situated to penetrate into the Mexican and South American markets. Linamar's newly expanded global presence has offered exciting opportunities in the Mexican and European marketplace.

Each manufacturing centre is comprised of several facilities. The practice of clustering facilities within a small geographic area allows the cluster to enjoy the economies of scale of being a large company while ensuring individual facilities still meet customer and employee needs on a personalized basis.

Linamar maintains a policy of educating employees, establishing continuous improvement programs and thereby maintaining continuous improvement in all areas of production and management. Linamar works diligently with all twenty-nine facilities to continuously improve organizational effectiveness. This concept is incorporated into all of the Company business functions including quality assurance, manufacturing, material management, finance and engineering.

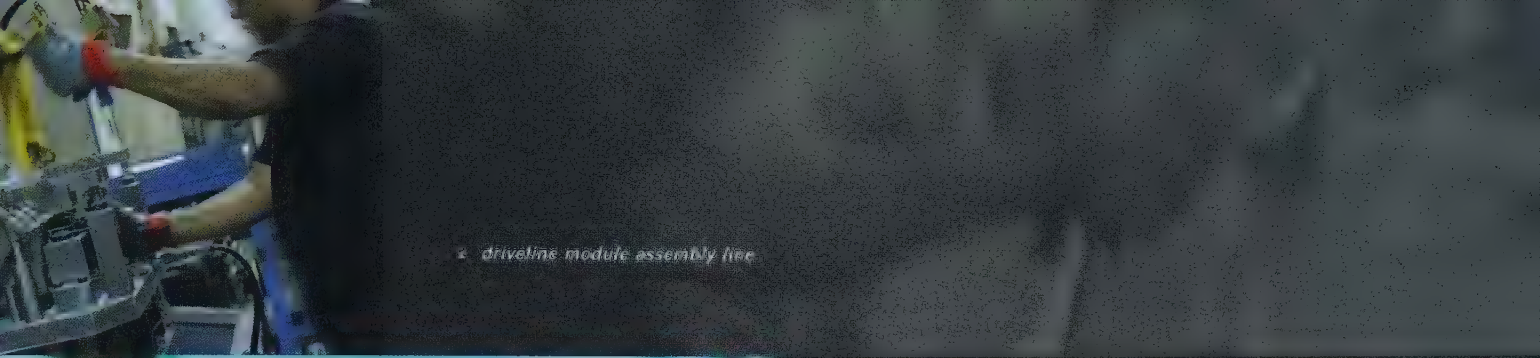


part shown above: hub

Quality: Linamar's dedication to organizational quality leads it to strive for the highest quality in everything that it does. This is reflected in the number of prestigious designations that the Linamar companies are honoured to have received over the years. In 1991 Linamar received the Canadian Award for Business Excellence (CABE) under the Quality category. Several Linamar companies have also been distinguished with Supplier awards from various customers, including Ford Motor Co., General Motors and Cummins. The Ontario Government has also honoured one of Linamar's companies with an award for its waste reduction initiatives. Currently twenty-four facilities are QS-9000 registered and twenty-eight ISO9000 registered – with the remaining facilities scheduled to be registered shortly.

It is Linamar's policy to provide product, services and processes that will meet or exceed its customers' quality requirements and expectations. Accordingly, the implementation and management of effective quality operations systems is a key building block at Linamar and an absolute necessity to ensure that customer quality and delivery requirements are maintained. Such systems include extensive Statistical Process Control, Dimensional Control Planning, Failure Mode and Effect Analysis and personnel training.

Training is a key element in quality production and one which has been a significant focus over the past year. It is the goal of the Company to develop effective, hands on,



driveline module assembly line

cam shafts in production

real life training programs providing a combination of skill, theory and practical tips. Many training courses have been or are in the process of being developed, including a comprehensive program management course and a detailed management in-training course.

Training is a key part of strengthening the foundation of the Company to ensure our people are adequately prepared for quality management and quality production.

Technology: Linamar takes pride in its innovative approach to solving its customers' most demanding manufacturing problems. Linamar has a very strong technical orientation, both in its people and its equipment. Twenty-five percent of Linamar's workforce is of a technical orientation; allowing Linamar to be highly responsive to customer needs and concerns. Linamar's commitment to leading edge technology in the close tolerance sophisticated manufacturing field, funded by an aggressive capital expenditure program, ensures that the Company is taking advantage of highly efficient, highly capable equipment. Doing so allows the Company to provide products of the highest quality for the lowest cost. New technologies and resources developed at any one Linamar Company are shared with all companies, thus keeping the entire Corporation on the leading edge of technology.

Service: Linamar is committed to providing total satisfaction to its customers, its employees, its shareholders and its community. The Company ensures dependable and consistent sales service to its customers and human resource services to its employees, by centralized coordination of the Sales, Marketing & Product Development, Human Resources and Finance functions at the corporate level. This dedication to its customers, employees and shareholders is an essential ingredient in the Company's efforts to strive towards Total Quality Management.

Linamar's Transportation division is another example of the Company's commitment to complete Customer Satisfaction. Its fleet of tractor-trailers ensures timely, safe and efficient delivery of customer's products across North America. Utilization of Linamar's inhouse Customs Department guarantees smooth, efficient deliveries across all international borders.

Ultimately, it is Linamar's goal to continue penetration into the automotive market, which has proven to be such a successful venture for the Company. Linamar will continue to focus on the operational philosophies which have served the Company well in the past while remaining cognizant of a changing world, in order to continuously improve strategies, organizational structure, systems and practices.

parts shown above: differential cases

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The management of Linamar Corporation is responsible for the preparation of all information included in this annual report. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles, and necessarily include some amounts that are based on management's best estimates and judgments. Financial information included elsewhere in this annual report is consistent with that in the consolidated financial statements.

Management maintains a system of internal accounting controls to provide reasonable assurance that the consolidated financial statements are accurate and reliable and that the assets are safeguarded from loss or unauthorized use.

The Company's external auditors, appointed by the shareholders, have prepared their report which outlines the scope of their examination and expresses their opinion on the consolidated financial statements.

The Board of Directors, through its Audit Committee, is responsible for assuring that management fulfills its financial reporting responsibilities. The Audit Committee is composed of independent directors who are not employees of the Company. The Audit Committee meets periodically with management and with the auditors to review and to discuss accounting policy, auditing and financial reporting matters. The Committee reports its findings to the Board of Directors for their consideration in reviewing and approving the consolidated financial statements for issuance to the shareholders.

Frank J. Hasenfratz
Chief Executive Officer
February 8, 2001

Linda Hasenfratz
President

AUDITORS' REPORT TO THE SHAREHOLDERS OF LINAMAR CORPORATION

We have audited the consolidated balance sheets of Linamar Corporation as at December 31, 2000 and December 31, 1999 and the consolidated statements of earnings, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2000 and December 31, 1999 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants
Kitchener, Ontario
February 8, 2001

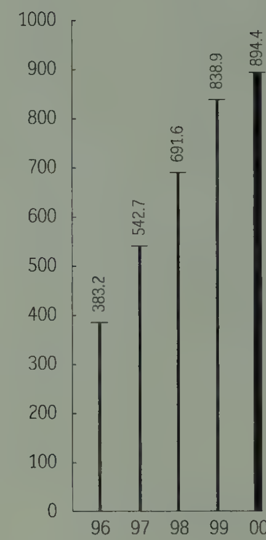
CONSOLIDATED BALANCE SHEETS

As at December 31, 2000 (in thousands of dollars)

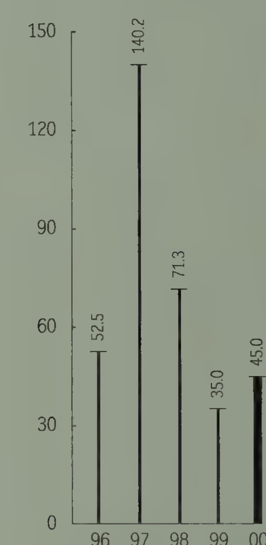
	December 31 2000	December 31 1999
Assets		
Current Assets		
Cash and short-term investments	$ 62,560	$ 26,241
Accounts receivable	207,992	222,281
Inventories *(note 3)*	93,302	101,082
Prepaid expenses	11,689	15,620
Income taxes recoverable	9,588	519
	385,131	365,743
Investments, at cost	1,658	686
Capital Assets *(notes 4 and 5)*	507,617	472,424
	$ 894,406	$ 838,853
Liabilities		
Current Liabilities		
Unpresented cheques	$ 8,870	$ 11,790
Short-term bank borrowings	162,358	129,897
Accounts payable and accrued liabilities	163,117	182,458
Current portion of long-term debt *(note 5)*	1,645	1,539
Advance payments from customers	4,143	5,054
	340,133	330,738
Long-Term Debt *(note 5)*	12,654	2,508
Future Income Taxes	9,825	14,515
Non-Controlling Interests	18,016	21,547
	380,628	369,308
Contingent Liabilities and Commitments *(note 9)*		
Shareholders' Equity		
Capital Stock *(note 6)*	81,990	83,381
Retained Earnings	438,806	386,164
Cumulative Translation Adjustment *(note 7)*	(7,018)	-
	513,778	469,545
	$ 894,406	$ 838,853

The accompanying notes are an integral part of these statements.

Total Assets
$ (millions)



Working Capital
$ (millions)

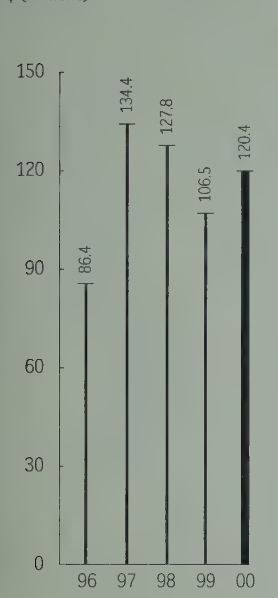


On behalf of the Board of Directors

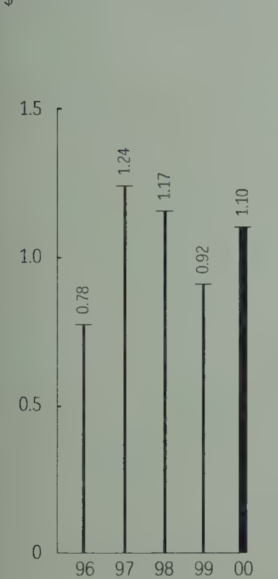
Frank J. Hasenfratz
Director

Linda Hasenfratz
Director

Operating Earnings
$ (millions)



Fully Diluted Earnings Per Share
Excluding Non-Recurring Items
$



CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

For the year ended December 31, 2000 (in thousands of dollars)

	December 31 2000	December 31 1999
Balance - Beginning of Year	$ 386,164	$ 341,621
Net earnings for the year	77,286	65,647
	463,450	407,268
Dividends	11,000	11,265
Excess of cost over assigned value of common shares purchased and cancelled *(note 6)*	13,644	9,839
	24,644	21,104
Balance - End of Year	$ 438,806	$ 386,164

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF EARNINGS

For the year ended December 31, 2000 (in thousands of dollars, except per share figures)

	December 31 2000	December 31 1999
Sales	$ 1,337,611	$ 1,252,115
Cost of Sales and Operating Expenses Before the Following:	1,058,014	1,000,543
Amortization	91,516	84,771
Selling, general and administrative	67,688	60,281
	1,217,218	1,145,595
Operating Earnings	120,393	106,520
Other Income (Expense)		
Interest earned	2,944	1,882
Other income	156	318
Interest on long-term debt	(18)	(63)
Other interest expense	(11,339)	(5,164)
	(8,257)	(3,027)
	112,136	103,493
Provision for (Recovery of) Income Taxes *(note 8)*		
Current	38,311	41,871
Future	(4,650)	(1,565)
	33,661	40,306
	78,475	63,187
Non-Controlling Interests	(1,189)	2,460
Net Earnings for the Year	$ 77,286	$ 65,647
Earnings Per Share		
Basic	$ 1.12	$ 0.93
Fully diluted *(note 12)*	$ 1.10	$ 0.92

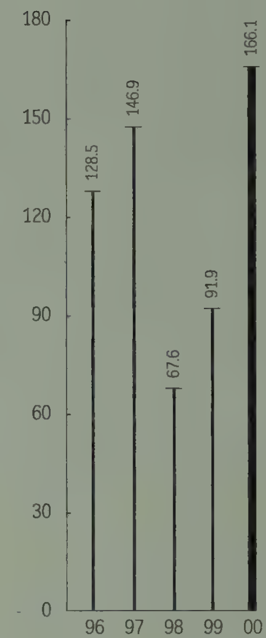
The accompanying notes are an integral part of these statements.

For the year ended December 31, 2000 (in thousands of dollars)

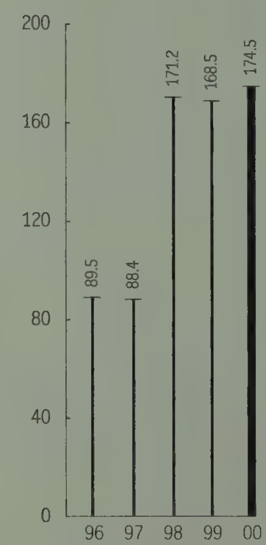
	December 31 2000	December 31 1999
Cash Provided by (Used in)		
Operating Activities		
Net earnings for the year	$ 77,286	$ 65,647
Charges (credits) to earnings not involving cash:		
Amortization	91,516	84,771
Future income taxes	(4,650)	(1,565)
Non-controlling interests	1,189	(2,460)
Loss (gain) on disposal of capital assets	(9,230)	282
Writedown of capital assets	9,092	-
	165,203	146,675
Changes in non-cash working capital due to operating activities		
Decrease (increase) in accounts receivable	11,241	(59,179)
Decrease (increase) in inventories	6,496	(9,084)
Decrease (increase) in prepaid expenses	4,434	(14,465)
Decrease in other assets	-	862
Decrease (increase) in income taxes recoverable	(9,053)	2,675
Increase (decrease) in accounts payable and accrued liabilities	(11,299)	23,203
Increase (decrease) in advance payments from customers	(911)	1,214
	166,111	91,901
Financing Activities		
Proceeds from short-term bank borrowings	32,461	83,745
Proceeds from long-term debt	11,936	1,209
Repayment of long-term debt	(1,686)	(2,947)
Proceeds from common share issuance *(note 6)*	224	2,873
Repurchase of shares *(note 6)*	(15,259)	(11,000)
Dividends to shareholders	(11,000)	(11,265)
Dividends by subsidiaries to non-controlling interests	(108)	-
	16,568	62,615
Investing Activities		
Payments for purchase of capital assets	(174,451)	(168,460)
Proceeds from disposal of capital assets	31,330	3,068
Proceeds on redemption of preference shares	-	228
Decrease in investment by a non-controlling interest	-	(100)
Investments	(972)	-
	(144,093)	(165,264)
	38,586	(10,748)
Effect of Translation Adjustment *(note 7)*	653	-
Increase (Decrease) in Cash Position	39,239	(10,748)
Cash Position - Beginning of Year	14,451	25,199
Cash Position - End of Year	53,690	14,451
Comprised of:		
Cash and Short-term Investments	62,560	26,241
Unpresented Cheques	(8,870)	(11,790)
	$ 53,690	$ 14,451

The accompanying notes are an integral part of these statements.

Cash from Operating Activities
$ (millions)



Capital Expenditures
$ (millions)



1. Significant Accounting Policies

These consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada, applied on a consistent basis.

Basis of Consolidation

These consolidated financial statements include the accounts of the company and its subsidiaries. Investments in joint ventures are consolidated on a proportionate basis. Acquisitions are accounted for using the purchase method.

Cash and Short-Term Investments

Short-term investments are stated at the lower of cost and market. Short-term investments of $43,528,000 at December 31, 2000 consisted of government securities, bank short-term deposits and commercial paper.

Inventories

Inventories are valued at the lower of cost, determined on a first-in, first-out basis and market. For raw materials, market is defined as replacement cost; for work-in-process and finished goods, market is defined as net realizable value.

Capital Assets and Amortization

Capital assets are recorded at cost. Amortization is charged to earnings in amounts sufficient to amortize the cost of capital assets over their estimated useful lives using the diminishing balance and straight-line methods as follows:

Buildings	5% diminishing balance
Machinery	Straight-line over 5 years or 15% - 20% diminishing balance
Office equipment	20% diminishing balance
Transportation equipment	10% and 30% diminishing balance
Tooling	Straight-line over 1 year

Income Taxes

Income taxes are provided, at current rates, for all items included in the statement of earnings regardless of the period in which such items are reported for income tax purposes. The principal item which results in temporary differences between financial and tax reporting purposes is amortization. Future income taxes are adjusted for current changes in income tax rates.

Share Options

No compensation expense is recognized when shares or share options are issued under the company's share option plan. Any consideration paid on exercise of share options or purchase of shares is credited to share capital.

Measurement Uncertainty

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

Pension Costs

The company has various contributory and non-contributory defined contribution pension plans which cover most employees. Current service pension costs are charged to earnings as they accrue. In 2000, pension costs of $10.1 million (1999 - $9.1 million) under government sponsored plans and $5.0 million (1999 - $3.9 million) under company sponsored plans were expensed in the year.

1. Significant Accounting Policies (continued)

Foreign Currency Translation

The company enters into forward exchange contracts to limit its exposure under contracted net cash inflows of US dollars and outflows of Euro. These contracts are treated as hedges. The monetary assets and liabilities of the company which are denominated in foreign currencies are translated at the year end exchange rates. Revenues and expenses are translated at rates of exchange prevailing on the transaction dates. All exchange gains or losses are recognized currently in earnings except those which relate to hedges of future cash flows, or those relating to the translation of self-sustaining foreign operations. Self-sustaining foreign subsidiaries and interests in joint ventures are translated using the current rate method, whereby assets and liabilities are translated at year-end exchange rates. The resulting unrealized exchange gains and losses are deferred and recorded as a separate component of shareholders' equity. Other foreign subsidiaries and interests in joint ventures whose operations are integrated in nature are translated using the temporal method, whereby non-monetary assets are translated at historical exchange rates, and monetary assets and liabilities are translated at year-end exchange rates. Exchange gains or losses are included in earnings in the year incurred.

Revenue Recognition

Revenue from the sale of products is recognized at the time goods are shipped to customers. Revenue from the sale of tooling is recognized once the tooling is substantially complete and the customer approves the initial production sample.

Research and Development

Research costs are expensed as incurred. Development costs are expensed as incurred but would not be expensed if they met the criteria under generally accepted accounting principles for deferral and amortization.

Start up Costs

All start up costs including preproduction costs and organization costs are expensed as incurred.

2. Joint Ventures (in thousands of dollars)

The following is a summary of the company's proportionate share of its joint ventures.

		December 31 2000		December 31 1999
Statements of earnings				
Sales	$	70,412	$	67,925
Expenses		54,505		56,960
Net earnings for the year	$	15,907	$	10,965
Balance sheets				
Current assets	$	53,208	$	21,852
Capital assets		21,235		22,550
Current liabilities		21,530		12,084
Statements of cash flows				
Cash from (used in) operating activities		11,034		(2,920)
Cash from (used in) investing activities		11,384		(2,394)

3. Inventories *(in thousands of dollars)*

	December 31 2000	December 31 1999
Raw materials	$ 52,851	$ 46,345
Work-in-process	21,394	36,645
Finished goods	19,057	18,092
	$ 93,302	$ 101,082

4. Capital Assets (in thousands of dollars)

			December 31 2000	December 31 1999
	Cost	Accumulated amortization	Net	Net
Land	$ 11,749	$ -	$ 11,749	$ 11,915
Buildings	85,188	16,900	68,288	67,869
Machinery	717,138	312,834	404,304	373,301
Office equipment	11,762	5,604	6,158	4,694
Transportation equipment	15,481	2,190	13,291	9,848
Tooling	21,751	17,924	3,827	4,797
	$ 863,069	$ 355,452	$ 507,617	$ 472,424

5. Long-Term Debt (in thousands of dollars)

	December 31 2000	December 31 1999
Interest free loan payable in 2001	$ 1,074	$ 2,174
Interest free loan payable in Hungarian forints 80,000,000 in annual instalments of 40,000,000	423	664
Interest free loan payable in Hungarian forints 146,160,000 in quarterly instalments of 9,135,000	771	1,069
Interest free loan payable in Hungarian forints 142,172,000 in quarterly instalments of 7,900,000	750	-
Loan payable	-	140
Bank term loan payable in Hungarian forints 1,693,772,000 with interest at 11.37%, due 2002	8,933	-
Bank term loan payable in Euros 1,675,000 with interest at 5.262%, due 2003	2,348	-
	14,299	4,047
Less: current portion	1,645	1,539
	$ 12,654	$ 2,508

Principal payments required to meet long-term obligations in the next five years are as follows:

Year ending December 31, 2001	$ 1,645
2002	9,503
2003	2,708
2004	359
2005	84

Specific machinery is pledged as security for the interest free loans.

6. Capital Stock

The company is incorporated under the Ontario Business Corporations Act in Canada and is authorized to issue an unlimited number of common and special shares.

Under the company's share option plan, the company, with the approval of the Board of Directors, may grant options to its key employees and directors for up to 1,645,000 shares of common stock in addition to those options already granted. The exercise price of each option equals the market price of the company's stock on the date of the grant and an option's maximum term is 5 years. On the latest option distribution, the 1,280,000 options issued to directors vested immediately while the 296,000 options issued to key employees vest at the rate of 20% per year beginning on the date of issuance. All other outstanding options are vested.

At the beginning of the year, options to purchase 2,979,000 common shares at a weighted average price of $13.42 were outstanding.

Under the share option plan, the company granted options during the year on common shares. These options, which remained outstanding at year-end, can be exercised as follows:

1,576,000 at $10.81 a share before December 29, 2005

At December 31, 2000, under the share option plan, the company also had options outstanding which can be exercised as follows:

750,000 at $7.47 a share before February 21, 2001
1,361,000 at $11.17 a share before January 11, 2002
12,000 at $26.04 a share before January 15, 2003
6,000 at $28.54 a share before July 14, 2003
820,000 at $22.53 a share before August 16, 2004

In summary, at the end of the year options to purchase 4,525,000 common shares at a weighted average price of $12.55 were outstanding with a weighted average contractual life of 2.74 years. Of these options, 236,800 at a price of $10.81 had not vested.

During the year, options for 30,000 common shares were exercised giving proceeds of $224,100.

In November, 1999, the company filed a normal course issuer bid which entitled the company to acquire up to 5,631,288 of its common shares before October 31, 2000. The purchases were made on the open market at the market price. Under this bid, during 2000, the company repurchased for cancellation 1,352,300 common shares with an assigned value of $1,615,332 for $15,259,445 cash.

In December, 2000, the company filed a normal course issuer bid which entitles the company to acquire up to 3,422,537 of its common shares before December 1, 2001. The purchases are made on the open market at the market price at the time of any particular transaction. During 2000, no purchases were made under this bid.

	December 31 2000	December 31 1999
Issued *(in thousands of dollars)*		
68,481,476 common shares (1999 - 69,803,776)	$ 81,990	$ 83,381

7. Cumulative Translation Adjustment (in thousands of dollars)

As a result of the growing independence of certain foreign subsidiaries and joint ventures, management has determined that it is now appropriate to treat them as self-sustaining. Effective January 1, 2000, the net assets of these operations are translated using the current rate method. Adjustments arising from the translation are deferred and recorded as a separate component of shareholders' equity. This change has been applied prospectively, resulting in a charge to equity of $5,552 thousand and a charge to non-controlling interests on the balance sheet of $3,179 thousand at the effective date.

Cumulative unrealized loss on initial conversion of assets to current rate method	$	5,552
Unrealized loss for the year on translation of net assets excluding cash		2,119
Unrealized gain for the year on translation of cash		(653)
Balance - end of year	$	7,018

8. Income Taxes (in thousands of dollars)

The company's income taxes and effective tax rate are made up as follows:

				December 31 2000				December 31 1999
Combined basic Canadian Federal and Ontario Provincial income taxes	$	48,028	%	42.83	$	45,019	%	43.50
Increase (decrease) in income taxes resulting from:								
Manufacturing and processing reduction		(10,092)		(9.00)		(9,314)		(9.00)
Federal income surtax		1,256		1.12		1,159		1.12
Recognition of unrecorded future income tax assets from prior years		(7,316)		(6.52)		(3,031)		(2.93)
Unrecognized benefit of losses carried forward		589		0.53		4,004		3.87
Difference between Canadian and foreign tax rates		1,549		1.38		3,178		3.08
Rate changes on future income taxes		(666)		(0.59)		-		-
Miscellaneous		313		0.28		(709)		(0.69)
Income taxes and effective income tax rate	$	33,661	%	30.03	$	40,306	%	38.95

At December 31, 2000, Mexican operations had available tax benefits carried forward of approximately $22.7 million which are available to the consolidated entity. The benefits expiring in years ended December 31, 2001 to December 31, 2005 were acquired with the purchase of the Mexican joint venture in 1998. These benefits expire according to the following schedule.

Year ending December 31, 2001	$ 7,200
2003	5,100
2004	4,400
2005	2,200
2008	400
2009	3,400

A tax benefit of $2.6 million has been recognized in the consolidated financial statements for the above benefits.

9. Contingent Liabilities and Commitments

The company is involved in certain lawsuits and claims. Management believes that adequate provisions have been recorded in the accounts. Although it is not possible to estimate the potential costs and losses, if any, management is of the opinion that there will not be any significant additional liability other than amounts already provided for in these financial statements.

As at December 31, 2000, outstanding commitments for capital expenditures under purchase orders and contracts amounted to approximately $82.6 million (1999 - $50.3 million).

The company is committed under certain long-term operating leases. Future minimum lease payments under these operating leases are as follows:

Year ending December 31,	2001	$ 3,209
	2002	2,539
	2003	2,159
	2004	2,121
	2005	1,492
	Thereafter	2,196

10. Related Party Transactions

Included in the purchase of capital assets are the construction of buildings, building additions and building improvements in the aggregate amount of $5.4 million (1999 - $4.0 million) by a company owned by the spouse of a director. Included in cost of sales are lease costs of $0.4 million (1999 - $0.4 million) related to properties leased from a company owned by two directors. These transactions have been recorded at the exchange amount.

11. Financial Instruments

Foreign Currency Risk

The company enters into forward exchange contracts to manage exposure to currency rate fluctuations related primarily to its future net cash inflows of US dollars from operations. The purpose of the company's foreign currency hedging activities is to minimize the effect of exchange rate fluctuations on business decisions and the resulting uncertainty on future financial results. At December 31, 2000, the company was committed to a series of monthly forward exchange contracts to sell US dollars which mature during the following three years as noted below. At December 31, 2000, the net unrecognized loss on these contracts was approximately $12.2 million. As these forward exchange contracts qualify for accounting as hedges, the unrealized gains and losses are deferred and recognized in earnings as the sales and expenses which generate the net cash flow occur.

Year	*Amount Hedged US$*	*Average Exchange Rate*
2001	131,000,000	1.4651
2002	120,000,000	1.4606
2003	95,000,000	1.4664

The company enters into forward exchange contracts to manage exposure to currency rate fluctuations related primarily to its future cash outflows of Euro from certain capital asset acquisitions. The purpose of the company's foreign currency hedging activities is to minimize the effect of exchange rate fluctuations on business decisions and the resulting uncertainty on future financial results. At December 31, 2000, the company was committed to a series of forward exchange contracts to purchase Euro maturing during the following years as noted below. At December 31, 2000, the net unrecognized gain was approximately $767,887. As these forward exchange contracts qualify for accounting as hedges, the unrealized gains and losses are deferred and recognized as a component of the capital asset acquisition.

11. Financial Instruments (continued)

Year	*Amount Hedged*	*Average Exchange Rate*
2001	€ 32,043,789	1.3976
2002	€ 6,844,848	1.4074

The Company's short-term bank borrowings are denominated in U.S. dollars and these are not accounted for as hedges.

Credit Risk

A substantial portion of the company's accounts receivable are with large customers in the automotive and truck industry and are subject to normal industry credit risks. At December 31, 2000, the accounts receivable from the company's three largest customers amounted to 29.0%, 4.7% and 3.0% of accounts receivable (1999 - 22.9%, 2.8% and 7.2%).

Interest Rate Risk

At December 31, 2000, the increase or decrease in net earnings for each 1% change in interest rates on the short-term bank borrowings amounts to approximately $1.0 million (1999 - $0.8 million).

Fair Value

Fair value represents the amount that would be exchanged in an arm's length transaction between willing parties and is best evidenced by a quoted market price, if one exists. The company's fair values are management's estimates and are generally determined using market conditions at a specific point in time and may not reflect future fair values. The determinations are subjective in nature, involving uncertainties and matters of significant judgment. At December 31, 2000, the carrying values reported in the balance sheet for cash and short-term investments, accounts receivable, income taxes recoverable and current liabilities approximate fair value, due to the short-term nature of those instruments. The fair values of the investments and the long-term debt are not significantly different from carrying values.

12. Earnings Per Share

Earnings per share are calculated using the weighted monthly average number of shares outstanding during the year. The average number of shares outstanding was 68,742,776 in 2000 (1999 - 70,440,391).

If it were assumed that the dilutive options had been exercised at the beginning of the year, then the earnings per share would have been $1.10 (1999 - $0.92). This calculation of fully diluted earnings per share assumes after-tax imputed earnings of approximately $2.3 million (1999 - $1.4 million) based on an after-tax rate of return of approximately 6.0% on the funds which would have been received.

13. Cash Flows (in thousands of dollars)

The cash flows from operating activities include:

	December 31 2000	December 31 1999
Interest paid	$ 11,166	$ 5,204
Interest received	2,937	1,882
Income taxes paid	47,380	39,196

14. Segmented Information (in thousands of dollars)

The company currently operates primarily in one significant industry segment and in four countries and accounts for inter-segment sales and transfers at current market prices.

The precision machining segment is the dominant segment. It consists primarily of the manufacturing and assembly of automotive components for original equipment manufacturers and their suppliers. The company also has smaller segments which are not reportable. These include the assembly and sale of harvesting equipment, the manufacture and sale of castings and the transportation of the company's products. Substantially all automotive revenue is derived from sales to major North American manufacturers. In the year ended December 31, 2000, sales to the company's three largest customers amounted to 26.9%, 9.7% and 7.5% of total sales revenue (1999 - 21.6%, 7.9% and 7.8%).

Geographic Information

	December 31 2000	December 31 1999
Sales to unaffiliated customers in		
Canada	$ 101,279	$ 111,347
United States	1,104,078	1,051,529
Other foreign countries	132,254	89,239
	$ 1,337,611	$ 1,252,115

The company currently operates in four geographic segments.

December 31 2000

	Canada	United States	Mexico	Hungary	Total
Total revenue	$ 1,146,246	$ 66,120	$ 74,389	$ 61,708	
Inter-segment sales	1,300	220	-	9,332	
Sales to customers outside the company	$ 1,144,946	$ 65,900	$ 74,389	$ 52,376	$ 1,337,611
Net earnings (loss) for the year	$ 60,408	$ 2,329	$ 15,522	$ (973)	$ 77,286
Interest earned	1,633	240	1,023	48	2,944
Interest expense	10,543	70	81	663	11,357
Income tax expense (benefit)	32,350	(270)	1,581	-	33,661
Identifiable assets	671,919	44,289	89,362	88,836	894,406
Capital assets	406,136	11,593	33,638	56,250	507,617
Payments for capital assets	141,036	1,852	4,587	26,976	174,451
Amortization	79,084	1,815	6,598	4,019	91,516

December 31 1999

	Canada	United States	Mexico	Hungary	Total
Total revenue	$ 1,111,410	$ 59,141	$ 50,566	$ 52,122	
Inter-segment sales	1,062	253	4,864	14,945	
Sales to customers outside the company	$ 1,110,348	$ 58,888	$ 45,702	$ 37,177	$ 1,252,115
Net earnings (loss) for the year	$ 75,846	$ (5,455)	$ (434)	$ (4,310)	$ 65,647
Interest earned	1,072	239	286	285	1,882
Interest expense	4,974	-	132	121	5,227
Income tax expense (benefit)	39,502	(959)	1,763	-	40,306
Identifiable assets	653,594	50,847	70,225	64,187	838,853
Capital assets	370,736	15,507	47,246	38,935	472,424
Payments for capital assets	130,658	4,215	18,459	15,128	168,460
Amortization	73,471	2,873	4,296	4,131	84,771

Management's discussion and analysis of financial condition and results of operations should be read in conjunction with the accompanying consolidated financial statements.

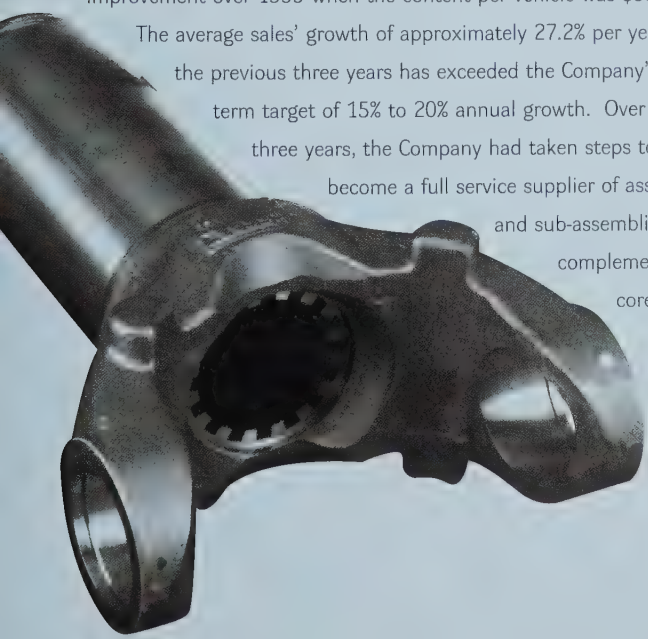
Overview

The operating strategy of Linamar Corporation and its subsidiaries (collectively, the Company) remains the development and exploitation of our core competency of precision machining and includes the pursuit of opportunities which are aligned with that core competency. We strongly promote the balancing of customer, employee and financial satisfaction. In 2000, the Company focused on its net earnings and strengthening its foundations while maintaining growth. Management constrained its investment in capital, particularly limiting the expansion of floor space and concentrated on cost control, developing its unique cost attack team approach. The downturn in medium duty and heavy duty truck requirements which the Company experienced in early 2000 spread to the automobile and light truck market in the last quarter of 2000. With new sales restricted to higher margin opportunities and current contracts being affected by the market downturn particularly in the fourth quarter, the sales growth of 6.8% in 2000 is within the Company's strategic plan. The Company's content per vehicle in the North American market in 2000 was $64.11, reflecting a 7.7% improvement over 1999 when the content per vehicle was $59.55. The average sales' growth of approximately 27.2% per year over the previous three years has exceeded the Company's long-term target of 15% to 20% annual growth. Over those three years, the Company had taken steps to become a full service supplier of assemblies and sub-assemblies to complement its core machining business. To achieve this objective the Company entered into strategic alliances and joint ventures with casting companies and foundries, and developed its own inhouse casting capacity. The Company has also diversified into the assembly of engines and drivelines. This activity is based on the Company's machining expertise. The Company continues to develop its expertise in the five C's - cylinder heads, crankcases, camshafts, crankshafts and connecting rods. Over the next decade, we expect that there will be a large market for the five C's as the OEM's continue their outsourcing programs.

The Company operates through facilities that function as autonomous operating units. Although a few of the facilities are dedicated to a particular customer or product and the Company is tending to promote that strategy of specialization, the majority of the facilities can still be classified as multi-product and multi-customer facilities. There are no particular facilities or group of facilities which, from an operating point of view, constitute a significant "manageable group". As a result, management decision making is responsive to the following criteria: (i) the Company as a whole; (ii) response to certain data as reported by a facility; (iii) maximizing a product line within a facility; and (iv) maximizing the synergies of plant clusters (as discussed below).

The Company's dominant operating segment supplies assemblies and precision machined parts, mainly to the North American automotive industry. Through the automotive section of this segment, the Company manufactures components and parts for a wide range of platforms for automobiles, as well as light, medium and heavy duty trucks. These components and parts are used primarily for the manufacture of transmissions, engines, steering, axles, drivelines, brakes, and suspension systems. Our automotive and light truck customers include General Motors, Ford, Chrysler, Renault, Honda and Toyota. We also produce for the North American diesel engine market.

The Company conducts its operations in four countries. As part of its strategy in the recent expansion, the Company has



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expanded its foreign operations to become a global supplier to the highly engineered systems for its customers' vehicles. At December 31, 1996, 817 of its 3,948 employees or 20.7% were employed outside of Canada, while at December 31, 2000 2,583 of its 8,632 employees or 29.9% were employed outside of Canada. The Company has been most successful in operating in plant clusters where resources can be shared immediately to meet business opportunities. The Company's main plant cluster is centred in Guelph, Ontario where the Company operates 18 of its 29 manufacturing facilities and employs 5,513 of its employees. In 2000, the Company purchased 22.0 acres of land in Windsor, Ontario, for the construction of a new facility. The Company completed two plant expansions which added 116,000 square feet of space. Eagle Manufacturing L.L.C. increased their leased space from 155,000 to 328,000 square feet. The Company's joint venture in Mexico completed the sale of its surplus land and manufacturing space at its Torréon location. The remaining 495,000 square foot machining and assembly facility can still accommodate additional contracts while it is more manageable in size. In 1999 the Company expanded its Guelph operations by purchasing 28 acres of land for future projects, completing a plant expansion which added 55,000 square feet of manufacturing space and building a new Corporate office.

In its drive to achieve growth in revenue, the Company over 1999 and 1998 had made large commitments of its people and resources to its many start up facilities. The high costs of these start ups negatively affected earnings. However, these effects diminished in 2000 as the Company continued to develop these facilities through many of the start up issues.

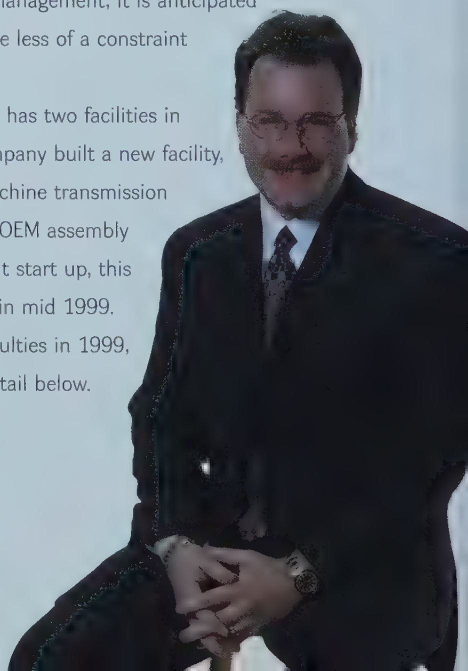
During 1998, the Company increased its manufacturing capacity in Guelph with the construction of two precision machining facilities. The Company also terminated its lease of a warehouse facility and built a new warehouse facility for its transportation and customs business.

Currently, Linamar is contracting to perform machining of cylinder heads with production beginning in 2003. To fulfill this commitment as noted above the Company purchased land in Windsor for the construction of a new facility that will begin prototype production in 2001. Throughout 2000, a number of the Company's facilities experienced increasingly reduced sales on established contracts particularly concerning the medium duty and heavy duty truck market. In the fourth quarter of 2000, the slowdown began to affect the Company's main automobile and light truck contracts. This adversely affected both sales and earnings. Due to the Company's business being highly capital intensive, reductions in sales have a magnified effect on the net earnings as fixed costs, particularly the amortization of capital assets, continue during a downturn. The Company's future prospects are included in the outlook section of this report.

In 1999 we completed our expansion of a foundry in Windsor in which the Company had purchased a 77.5% interest in 1998. This project, started in 1998, was to increase capacity at this facility from $16 million to $30 million in annual sales. The expansion of this facility has been difficult, as the new moulding line has not functioned as the supplier had promised. Continued problems have been encountered with breakdowns and excessive scrap. The new equipment continued to be very difficult to work with throughout 2000 and the Company is working to obtain appropriate compensation from the supplier through a process of arbitration. Early in 2000, it became clear that although the issues had been recognized they had not been resolved. The Company made changes in senior management and management structure. This facility in the last month of 2000 and during the first month of 2001, finally managed to reduce scrap to a more reasonable level. The Company is in the process of filling this facility with casting jobs appropriate for the equipment and technology and making it successful.

During 1998 and 1999, investments were made in the Guelph "lost foam" casting facility bringing its moulding capacity up to $40 million in annual sales. With increasing volume on current contracts and tight cost management, it is anticipated that this facility should be less of a constraint on earnings.

The Company now has two facilities in Mexico. In 1998, the Company built a new facility, Linamar de Mexico, to machine transmission components for a nearby OEM assembly plant. With a very difficult start up, this facility began production in mid 1999. It experienced many difficulties in 1999, as discussed in greater detail below.



parts shown above: final drive sun gear (left); differential case assembly (right)

By mid 2000, the production was largely stabilized and the company operated near a breakeven. In addition, at the 1998 year end, the Company, with a 45% minority partner, purchased from Renault France an established but underutilized Mexican engine manufacturing company and named it, Industrias de Linamar, S.A. de C.V. This company had a million square foot facility which was dedicated to machining engine components and assembling a complete engine for Renault France until July 2000. In February 2000, the Company signed an extension to the machining and assembly contract with Renault which extends the original 19 month contract to December 2002. In 2000, the Company took advantage of an opportunity to consolidate the operations in 495,000 square feet of the facility, subdivide the property and sell the remaining surplus space. The Company continues to seek new engine opportunities to increase manufacturing in this facility. In 1998, the Company purchased a 60% interest in a successful business, Eagle Manufacturing L.L.C., a company that machines connecting rods and cylinder heads in Kentucky, U.S.A. In 1998, the Company purchased a start up business in Michigan U.S.A. which machines, cleans and paints engine blocks. This process, as discussed below, has been underpriced. This combined with the start up costs of this business has been very difficult. Having made process improvements to achieve efficiencies, the Company took steps to address this situation in cooperation with the customer. During the year, the Company also wrote down this facility's capital assets to reflect their ongoing value in production. As a result this facility was operating at a breakeven by the 2000 year end.

In 1999, the Company entered into a 50:50 joint venture with Wescast Industries Inc., a Canadian foundry that manufactures cast iron exhaust manifolds for the light vehicle and truck industry. This joint venture has a mandate to develop casting and machining capacity in new facilities at Oroszlány, Hungary. This joint venture company, Weslin Autoipari Rt., will manufacture cast iron exhaust manifolds and other thin walled highly cored components. Over the next two years the joint venture will oversee the building of a new 237,000 square foot foundry and machining facility at an estimated total cost of $100 million. During 2000, land was purchased; the design was developed; the new management team had been assembled and construction was commenced. This operation is expected to commence machining of turbo charger housings in March 2001, and to commission the foundry in July 2001, with foundry parts production beginning in January 2002.

The headquarters of the Company's European precision machining business is currently centered in Orosháza, Hungary. The Company through its subsidiary, Mezögép Rt., operates in two locations in Hungary. In 2000, this Company completed its tooling for the General Motors continuously variable transmission ("CVT") program. The CVT program will continue through one more year of limited production, mainly consisting of batches of prototypes, before beginning steady production in 2002. During the year, Mezögép Rt. also brought more of its new machining contracts through start up and into production. Mezögép Rt.'s agricultural business continued for the second year to struggle with a diminished market. During 1999 Mezögép Rt. completed three major investments in facilities in Hungary. The automotive facility in Orosháza was expanded by 75,000 square feet. This expansion was necessary to accommodate the volume of new machining contracts which Mezögép Rt. had obtained, particularly with respect to the production of parts for CVT. In 1999, Mezögép Rt. also consolidated much of the Orosháza agricultural work in a new 140,000 square foot facility. This work had previously been conducted in small workshops. In 1998, Mezögép Rt. obtained a contract to machine components for electrical generators. This business was transferred from a facility in Great Britain to Mezögép Rt.'s third building, a new 50,000 square foot manufacturing facility completed in 1999 at Békéscsaba, Hungary.

During early 1998, Mezögép Rt. converted a portion of its agricultural facilities at Orosháza to precision machining. With many new products and customers developing, Mezögép Rt.'s precision machining business is quickly expanding. Currently products for the European automotive market are being supplied from Linamar's manufacturing operations in Hungary, Mexico and Canada.

A component of Mezögép Rt.'s business is the manufacture and supply of corn heads and other components for combines to the agricultural industry in Western and Eastern Europe, North America and Asia. Fiscal year 1998 began with high expectations for the agricultural equipment segment. However, as the year progressed the world market for corn and wheat contracted, the Russian market for agricultural implements collapsed and worldwide demand decreased dramatically. As a result, agricultural equipment customers delayed some orders and cancelled some completely. Since 1998, the agricultural markets have been so depressed that Mezögép Rt. was unable to cover its fixed costs in this segment. During 2000, Mezögép Rt. substantially reduced its agricultural inventory again and

left: Mark Stoddart above: George Sims

placed many of its surplus employees in its expanding precision machining divisions. The depressed market is expected to continue through 2001. The Company believes that this business is viable when the market conditions are normal and the Company intends to continue agricultural machinery production.

Over the three years ended December 31, 1999, the Company had increased sales by over 25% each year. This growth is substantially in excess of the Company's historical targets and had stretched the Company's resources while significantly lowering its earnings. Over those three years, the Company invested $474 million in capital assets and increased its floor space by 1,862,000 square feet. As previously mentioned, the Company experienced two very significant setbacks during this period. The collapse of the worldwide agricultural machinery equipment market severely affected Mezögép Rt.'s earnings. As a result, Mezögép Rt. was no longer able to fund its precision machining start ups in Hungary from its cash flow. With the support of Linamar Corporation, Mezögép Rt. has opened a short-term bank line of approximately $11 million; obtained long-term government interest free loans of approximately $2 million and continues to apply for government assistance in its expansion. Similarly, in 1999, in Mexico, the Company experienced a very difficult start up at its transmission components plant. The primary customer of this Mexican facility accelerated the production ramp up by several months and then arbitrarily slashed the production in the fall. In order to meet the accelerated ramp up, the Company sent many skilled employees from Guelph, with little notice, to assist in training the new Mexican workers and to assist in the production. After training the new Mexican workforce, the Company was forced to retain these employees with no revenue generation in order to be able to restart production in January. In January 2000 production re-commenced at just over 50% of capacity and in April the customer increased their orders to about 74% of capacity.

As noted above, many of the new plants had difficult start ups. These effects were still felt throughout 2000 although with a steadily diminishing impact. The Company's management and employees continue to work to overcome those difficulties, as we focus on increasing earnings while meeting the customers' needs.

Consolidated Results of Operations

Revenues

The Company's consolidated revenues in the year ended December 31, 2000 totalled $1,338 million compared to $1,252 million in the year ended December 31, 1999 and $998 million for the year ended December 31, 1998. In 2000, the increase in revenue resulted from further growth in the transmission components business. The growth in the engine and 5C business was offset by the decline in the sale and production of small engines. The contracts for medium and heavy duty truck customers experienced lower volumes in 2000 with a significant effect on earnings as the fixed costs for these products were spread over lower sales. Similarly, in December volumes in the automobile and light truck business were substantially lower in almost all contracts.

In 1999, the increase in revenue resulted primarily from growth in the Company's engine assembly and engine component business. There was also strong growth in the Company's transmission components business. Driveline, suspension and steering components, which represent a smaller share of our business, experienced relatively significant increases as well. The decrease in the agricultural machinery business was offset by the increase in the Company's sales of small engines.

In 1998, the increase in revenue was attributable to both the new small gasoline engines for power generation and the growth in the automotive section of the precision machining segment. The growth in the automotive section was primarily related to engine components with some growth in axles and brake components. Throughout these years, the Company continued to increase its volume of existing business in the light truck and automobile markets although the volumes in medium and heavy duty trucks dropped significantly in 2000.

The Company's sales during the year ended December 31, 2000 were realized at an average rate of $111.5 million a month compared to an average rate of $104.3 million a month for the year ended December 31, 1999 and $83.2 million a month during the year

< part shown above: transmission stator part shown below: planet plate

ended December 31, 1998. This increase is the result of continued growth in both new and existing business.

In 2000, sales increased $85.5 million or 6.8%. Automotive sales accounted for increases of $130 million. These were off-set primarily by decreases of approximately $33 million in small engines and $6 million in castings.

In 1999, sales increased $253.8 million or 25.4%. Automotive sales accounted for 99% of the increase. In 1998, sales increased $226.9 million or 29.4%. Small engine sales accounted for 37% of this increase and automotive sales accounted for 53% of this increase.

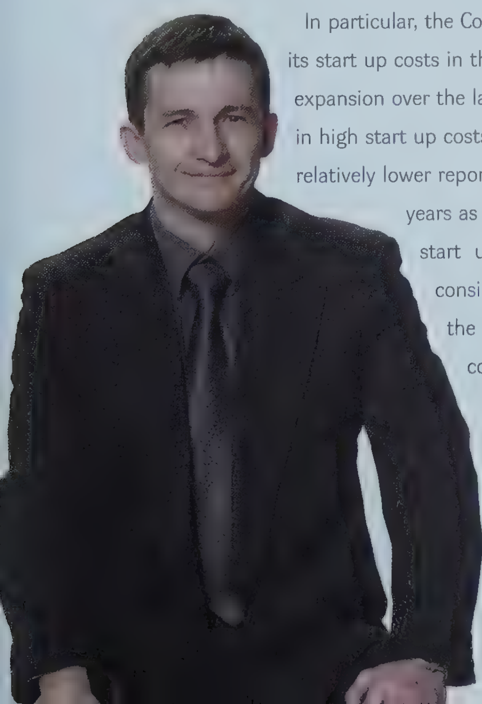
Cost of Sales

Excluding amortization, cost of sales as a percentage of total revenues decreased to 79.1% in 2000, from 79.9% for the year ended December 31, 1999 and increased from 76.7% for the year ended December 31, 1998.

In 2000, the Company had a number of improvements. One of the key ingredients in our successful continuous improvement in this area has been the development of cost attack teams. Cost savings ideas are promptly implemented and are also communicated to other facilities performing similar operations. Unfortunately the demand for medium duty and heavy truck components diminished during the year and the volumes of light truck and automotive components and assemblies diminished in the fourth quarter, particularly in December. This has somewhat offset the positive effects of the many improvements.

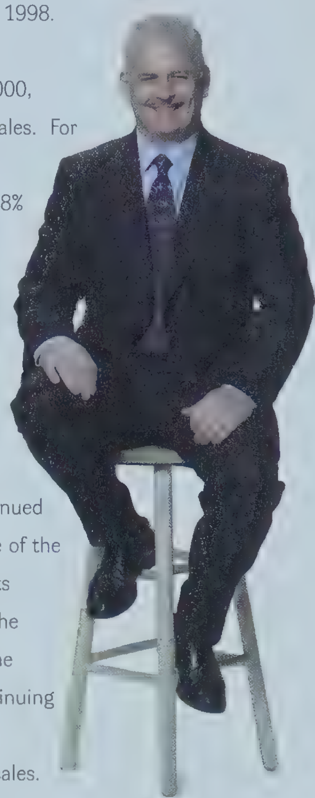
During the year the Company wrotedown a number of special purpose machines relating to programs that were not profitable or had been discontinued early. The cost of these writedowns was charged to cost of sales. The Company also earned approximately a similar amount on the sale of the excess capacity at its Mexican engine facility and this was credited to the cost of sales.

The Company has historically practiced conservative accounting practices and continues to do so.



In particular, the Company has always expensed its start up costs in the year incurred. The rapid expansion over the last three years has resulted in high start up costs. This has resulted in relatively lower reported earnings in the last two years as the Company expensed its start up costs. This practice is not considered to be consistent with the practice of several other companies in this market sector in Canada. However, more Canadian companies are beginning to adopt this policy. In addition to rapid expansion, some of our facilities had mature products come to the end of their cycle which necessitated a changeover to new products. During this period skilled labour resources have been scarce. The Company has also experienced disruptions caused by its customers' labour situations and by the collapse of the agricultural market. In both Mexico and Hungary, labour resources costs are not as variable as in either Canada or the U.S.A. All of these factors combined to create the substantial increase in the cost of sales in 1999 and in 1998.

Amortization



For the year ended December 31, 2000, amortization was $91.5 million or 6.8% of sales. For the year ended December 31, 1999, amortization costs were $84.8 million, or 6.8% of sales. For the year ended December 31, 1998, amortization costs were $58.5 million, or 5.9% of sales. In 2000, the Company continued to bring more machinery into production as more contracts ramped up and came on stream. This increased amortization. However, the medium and heavy duty truck market continued to slump and as year end approached some of the demand for automotive and light truck parts decreased. As a result the throughput on the Company's equipment decreased, leaving the amortization as a percent of sales at a continuing high level reflecting the relatively lower utilization in light of declining automotive sales.

The ratio increases in 1999 and 2000 can be attributed to the recent high level of investment in new equipment. The beginning of production on new equipment in late 1998 and throughout 1999 and 2000 has caused the level of amortization to rise again. In 1999, the Company continued to maintain a high level of investment in capital equipment both through direct investment and through purchases of businesses. This created the absolute increase in the amortization. The high level of investment in equipment for projects which either began late in 2000 or have not commenced yet reduced the following percentage. Amortization compared to the average net book value of capital assets was 18.7%, 19.4%, and 18.2% in 2000, 1999 and 1998 respectively.

Selling, General and Administrative Expenses

Selling, general and administrative expenses were

left to right: Michael Annable, Csaba Havasi, Ted McGregor

$67.7 million or 5.1 % of revenues during the year ended December 31, 2000 compared to $60.3 million or 4.8% of revenues during the year ended December 31, 1999 and to $46.1 million or 4.6% of revenues during the year ended December 31, 1998. Through all these years, the level of selling, general and administrative expenses as a percentage of sales has remained at historical levels.

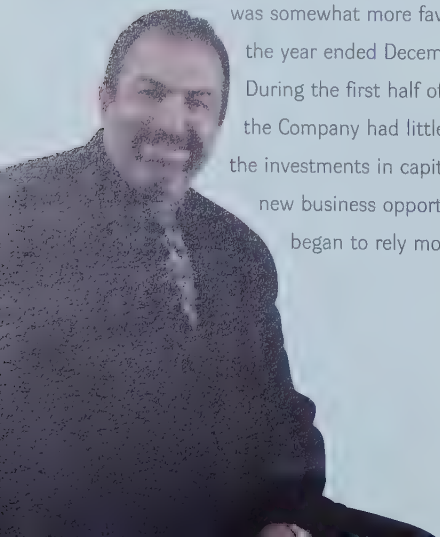
Operating Earnings

The above-noted factors contributed to an increase of $13.9 million in the Company's operating earnings for 2000. Operating earnings for the year ended December 31, 2000 were $120.4 million or 9.0% of sales compared to $106.5 million, or 8.5% of sales, for the year ended December 31, 1999 and $127.8 million, or 12.8% of sales, for the year ended December 31, 1998.

Interest Income and Expense

As in the previous year, interest expense in 2000 increased substantially over 1999. The level of short-term bank borrowings increased rapidly in the first quarter, as payments for capital assets in the first quarter were $55.6 million. The Company's average interest rate increased from approximately 5.6% to 6.5%. Since year end the Company's interest rates have decreased to approximately 6.0% and the bank borrowings are also expected to decrease in 2001. The total interest expense in 2000 climbed to $11.4 million, more than double the expense in 1999. The interest earned both in 2000 and in 1999 relates primarily to temporary cash balances, balances held in foreign currencies and balances held by government agencies.

Interest expense in 1999 increased substantially over 1998 as the level of short-term bank borrowings increased rapidly in the first quarter of the year and continued at the higher level for the balance of the year. The average interest rate remained relatively stable in 1999. Total interest expense for the year ended December 31, 1999 was $5.2 million. In 1998, the interest earned on the excess cash balances steadily decreased as the excess cash was used for expansion purposes. The average cash balance in 1998 was somewhat lower than in the previous year. However, the interest rate was somewhat more favourable. Total interest expense for the year ended December 31, 1998 was $1.6 million. During the first half of the year ended December 31, 1998, the Company had little requirement for debt. However, as the investments in capital assets and working capital for new business opportunities accelerated, the Company began to rely more on its operating lines. Note 5 in the accompanying consolidated financial statements sets out the details of the long-term debt.



Other Income

Other income in 2000, 1999 and 1998 has not been a significant amount. It has included incidental rental income, dividend income, gain on sale of investments and forgiveness of government loans.

Income Taxes

In May 2000, the Ontario provincial government decreased its general rate by 1%, but did not adjust the manufacturing and processing reduction and consequently the combined effective rate for the year decreased by 0.67%. The combined federal and Ontario provincial tax rate had remained unchanged in the years ended December 31, 1999, and 1998. In 2000, several factors combined to reduce consolidated income taxes from an expected 34.95% or $39.2 million to 30.02% or $33.7 million. Taxes were reduced by approximately $7.3 million or 6.52% through previously unrecorded future income tax assets relating to the Company's Mexican and U.S. subsidiaries. Restating the future income tax liability to new future tax rates reduced taxes by $0.7 million or 0.59%. These reductions were partially offset by higher foreign tax rates, especially in Mexico, resulting in increased taxes of $1.5 million or 1.38%; unrecognized losses carried forward of $0.6 million or 0.53% and other factors amounting to $0.3 million or 0.28%.

In 2000, the tax free status of the Hungarian operations had minimal effect as the losses from those operations were relatively small. In 1999, the losses incurred in Mezögép Rt. resulted in a higher consolidated tax rate as Mezögép Rt. is tax free. Thus those losses are not tax affected. In particular, Mezögép Rt. has been granted full relief from income taxes until December 31, 2011 as long as it continues to meet certain general growth targets set by the Hungarian government. Weslin Autoipari Rt. has similar relief from income taxes. It is expected that this benefit will diminish somewhat over time as the Company's proportion of earnings in taxable jurisdictions continues to increase further over time relative to earnings in non-taxable jurisdictions. In 1998, the effect of this benefit increased as Mezögép Rt.'s earnings constituted a greater proportion of consolidated earnings before tax than in the prior year. Also, the losses incurred in the new Linamar de Mexico facility were not tax affected, as management did not have enough experience in this business in Mexico to determine the likelihood of being able to

part shown above: aluminium front housing

earn sufficient income to apply against those losses. For similar reasons the Company did not record a benefit related to the losses incurred in the U.S.A. In each of the prior years, the Company had a reduction in its effective tax rate as a result of the lower income tax rates in other countries in which the Company operates.

Net Earnings

The Company's net earnings for the year ended December 31, 2000 were $77.3 million, or 5.8% of sales, compared to net earnings for the year ended December 31, 1999 of $65.6 million, or 5.2% of sales, and net earnings of $84.4 million, or 8.5% of sales, for the year ended December 31, 1998.

In 2000, the increase in earnings and the higher ratio of earnings as a percent of sales result particularly from improvements achieved at start up facilities and cost improvement initiatives throughout the Company. This was offset somewhat by the slowing of sales throughout the year in the medium and heavy duty truck market and in the last quarter in the automotive and light truck market.

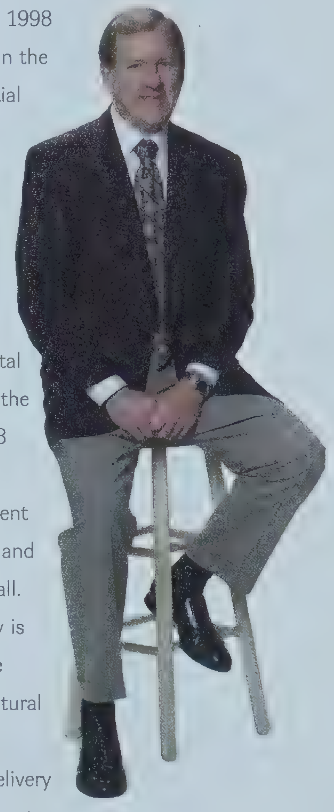
The decrease in earnings and the lower ratio of earnings as a percent of sales in 1999 and 1998 compared to 1997 are attributable to the start ups and plant changeovers and expansions experienced at the Canadian and U.S.A. precision machining plants over the past two years, the collapse of the agricultural machinery market and the aforementioned production stop order in respect of the newly built Linamar de Mexico facility.

Capital Resources and Liquidity

Cash, Short-Term Investments and Short-term Bank Borrowings

In 2000, the Company's net bank advance position improved somewhat to $108.7 million. Cash and short-term investments net of unpresented cheques improved by $39.2 million from $14.5 million to $53.7 million. The Company's short-term bank borrowings increased by $32.5 million to $162.4 million. The Company continued its level of investment in capital assets during the year. Cash from operating activities fell short of these investments by $8.3 million. Proceeds from the sale of the excess land and building in Mexico of approximately $21 million were received at the year end. These proceeds, currently a short-term investment, will be brought to Canada in 2001 to reduce the short-term bank borrowings.

In 1999 and 1998, the Company went through a period of high expansion. During this period, the Company's net cash resources decreased from a net cash position of $109.8 million to a net bank advance position of $115.4 million. These resources have been applied primarily to capital expenditures and to non-cash working capital. In 1999, the Company's cash and short-term investments net of unpresented cheques, decreased by $10.7 million to $14.5 million while the Company's short-term bank borrowings increased by $83.7 million. Consequently, the Company's net bank advance position at December 31, 1999 was $115.4 million. This represented an increase in the net bank advances of $94.5 million. In 1999, the Company continued to heavily invest in capital assets and its cash from operating activities fell short of payments for these investments by $76.6 million. Through its short-term bank borrowings, the Company also invested $54.8 million to fund the non-cash working capital requirements created by the high level of investment in capital assets. Similar to 1999, 1998 was also a year characterized by investment in the future of the Company. In 1998, the substantial increase in sales related operating activities required $83.2 million in cash to fund non-cash working capital requirements. Likewise, the Company made investments in other businesses totalling $25.0 million. In 1998 the cash from operations of $150.9 million fell short of the Company's purchases of capital assets by $20.4 million. The cash position of the agricultural equipment business in both 1998 and 1997 varied with the seasonality of its business. In general, the agricultural equipment business builds inventories for summer sales and collects its accounts receivable through the fall. The effect on the Company of this seasonality is steadily diminishing as other segments of the Company's business expand while the agricultural equipment business does not. In 1998, the agricultural equipment customers deferred delivery on many contracts as the agricultural equipment market shrank in the latter half of the year. As a result the agricultural equipment business crossed the year end with $7.0 million more in inventory than in the prior year. This excess 1998 agricultural equipment inventory was consumed in 1999 as production was substantially reduced.



Accounts Receivable

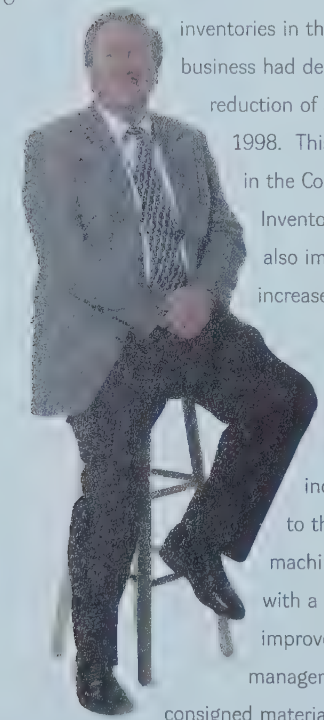
The accounts receivable balance of $208.0 million at December 31, 2000 was 6.4% lower than the level as at December 31, 1999. The year over year sales increase was 6.8%. However, with the

left to right: Nick Efthimakis, Allan Faubert, Bob Mallette

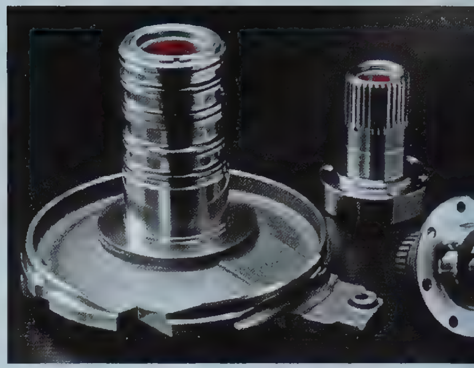
downturn in the vehicle market, production sales for December 2000 were $12.7 million or 13.2% less than December 1999. Accounts receivable for the year ended December 31, 2000 were at the level of 15.5% of sales, as compared to 17.8% of sales for 1999 and 16.3% of sales for the year ended December 31, 1998. The accounts receivable balance of $222.3 million at the end of December 1999 was $59.2 million or 36.3% higher than the level as at December 31, 1998. This increase was a result primarily of the 25.4% increase in sales volume. In 1999, the Company's largest customer arbitrarily extended its payment terms past the month end. This has increased the month end balances of accounts receivable. At December 31, 2000, the accounts receivable from the Company's three largest customers amounted to 29.0%, 4.7% and 3.0% of the year end accounts receivable while sales to those customers were 26.8%, 9.7% and 7.5% of the Company's sales, respectively. At December 31, 1999, the accounts receivable from the Company's three largest customers amounted to 22.9%, 2.8% and 7.2% of the year end accounts receivable while sales to those customers were 21.6%, 7.9% and 7.8% of the company's sales, respectively.

Inventories

Inventories were $93.3 million at December 31, 2000. This balance is $7.8 million or 7.7% lower than the previous year, despite a sales increase of 6.8% over 1999. By the end of the year, inventories in the Company's agricultural equipment business had decreased by another $4.2 million, a total reduction of $11.2 million from levels at the end of 1998. This reduction resulted from continued declines in the Company's agricultural equipment business. Inventories in most precision machining facilities also improved due to better management and an increase in consigned material usage.



Inventories were $101.1 million at December 31, 1999 representing an increase of $9.1 million over the level at December 31, 1998. In 1999, there was an increase of only 9.9% in inventories compared to the 25.4% increase in sales. In most precision machining facilities new sales levels were reached with a lower investment in inventories. This improvement resulted from a combination of better management of inventories and an increase in consigned material. By the 1999 year end inventories attributable to the Company's agricultural equipment business had decreased by $7.0 million from the 1998 year end level. Most of the overstocked agricultural inventory was sold during 1999 and the production of agricultural machinery was severely curtailed as well.



Prepaid Expenses

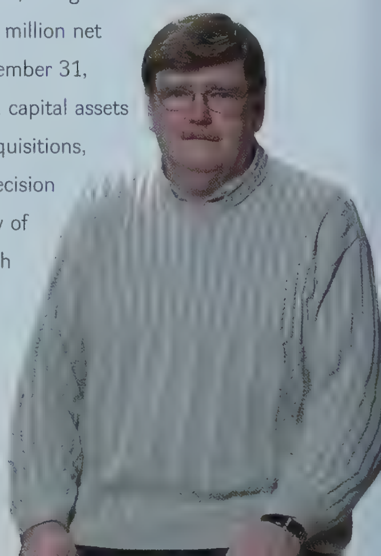
During 1999, the Company established Linamar Sales Corporation as a new direct sales vehicle. The Company also purchased Linamar's accounts, for approximately $15 million, from one of its former sales representative agencies. This new subsidiary assumes responsibility for representing the Company with both new customers and with those customers previously served through the former agency. The purchase price has been deferred and is being charged to operations. In 2000, that charge amounted to $4.1 million and accounted for most of the $3.9 million net decrease in prepaids.

Capital Assets

The Company's net book value of capital assets as at December 31, 2000, was $507.6 million. This is $35.2 million greater than the net book value at December 31, 1999. During 2000, the Company acquired $169 million of capital assets. Of these acquisitions, $136 million was invested in the precision machining segment comprised mainly of machining and tooling purchases. These investments relate primarily to the production of engines, transmission, braking and steering components. The balance of the 2000 acquisitions relate to the expansion of existing manufacturing facilities and the Company's share of the investment in the Weslin joint venture. Land was purchased in Oroszlány and the construction of a casting and machining facility is underway.

In 2000, the Company made payments of approximately $174.5 million compared to $168.5 million for the purchase of capital assets. These payments were funded through cash from operating activities and from increases in short-term bank borrowings.

The Company's net book value of capital assets, as at December 31, 1999, was $472.4 million, being $72.2 million greater than the $400.2 million net book value of capital assets as at December 31, 1998. In 1999 the Company acquired capital assets totalling $ 160.4 million. Of these acquisitions, $138.0 million was invested in the precision machining segment; comprised mainly of machinery and tooling purchases. Such



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investments relate primarily to the production of drivelines, transmission components, engines and steering components. The balance of the 1999 capital asset investment related primarily to the purchase of an airplane for $9.4 million and to the Company's construction of the additions to certain of its facilities for a total cost of approximately $8.5 million. These investments provided additional manufacturing floor space of approximately 210,000 square feet. These plants are part of the precision machining facilities located in Guelph, Ontario.

Other Assets

The Company has made some minor portfolio investments during the year in addition to the previous investment which had been made in a Canadian customer of its Mezögép Rt. subsidiary.

Working Capital

Working capital at December 31, 2000 was $45.0 million, an increase of $10.0 million over working capital at December 31, 1999. The increase in working capital during 2000 relates to the sale of excess capacity at the facility in Torréon, Mexico. Working capital at December 31, 1999 was $35.0 million, a decrease of $36.3 million over working capital at December 31, 1998. The decrease in working capital at the end of 1999 related to the major investment in capital assets. The changes in both 2000 and 1999 are considered to be within the Company's normal operating limits. The Company is continuing to review its bank borrowing in conjunction with its projected cash flows. At year end, the Company preferred to retain its current bank short-term borrowing position rather than incur long-term debt to take advantage of flexibility for repayment and lower interest rates.

Financial Resources

During the year ended December 31, 2000 the Company's short-term borrowings increased by $32.5 million. However, cash and short-term investments increased approximately $36.3 million. Approximately $21 million was received at the end of December as a result of the asset sale in Mexico. These funds will be moved to Canada early in 2001, and will reduce the short-term bank borrowings.

Cash from operating activities in 2000 increased by $74.2 million to $166.1 million and as such was almost sufficient to fund the payments for capital assets of $174.5 million. The change in non-cash working capital supplied $0.9 million of funds.

Although the Company's short-term bank borrowings increased substantially during the first quarter of 1999, the Company's financial position remains strong. As noted above, the increase in the short- term bank borrowings related mainly to the high level of investment in capital assets and in the related non-cash working capital requirements due to the increased level of operations. During the year ended December 31, 1999, cash provided from operating activities was not sufficient to fund the payments for purchases of capital assets. At the 2000 year end, the long-term debt accounted for 2.6% of total capitalization compared to 0.8% in the previous year. During fiscal 1999, as in the prior year, cash from operating activities was used mainly to fund capital asset purchases. Cash from operating activities increased by $24.3 million to $91.9 million. In 1999, the non-cash working capital still consumed $54.8 million of the funds provided.

At December 31, 2000, the Company had available approximately $104 million of unused short-term bank credit facilities. The Company continues to service both its long-term and short-term indebtedness with cash produced by its operating activities.

The Company's interest free loans result from government initiatives and are repayable to the various levels of government according to the terms indicated in the attached financial statements. It is not possible for the Company to predict the likelihood of similar loans being available in the future.

The Company believes that cash from operations and borrowings available under its revolving credit facility will be sufficient to meet its anticipated cash needs for the foreseeable future. Since 1995, the Company has paid quarterly dividends. Each year those dividends, which amounted in the aggregate to 16 cents in both 2000 and 1999, have been based on the Company's performance in the prior year and on the expected performance in the coming year. Management expects that the Board of Directors will continue its established dividend policy. In 2001, the Company expects to be able to maintain its future interest expense at the current level, support the dividend policy, and make certain payments on long-term debt without incurring any significant amounts of long-term debt. The Company is currently considering the opportunity to establish a committed facility of bank debt. The Company may make modest acquisitions during the coming year as appropriate opportunities arise; however, the focus of management is on improving the net earnings of the Company primarily through process

left to right: Larry Whitmarsh, Derek Jones, Fred Brunnmeier

improvements. Management expects to fund any such opportunities through the cash from operating activities.

Future Income Taxes

In 2000, future income taxes decreased by $4.7 million. During the year the Company became more confident of its ability to recognize the benefit of certain of the asset taxes carried forward at its Torréon facility. This accounted for a decrease of $2.6 million in its future tax liability. The future income taxes balance also decreased by $0.7 million as a result of restatement for income tax rate changes. The balance of the reduction is due to the increase in losses carried forward in three subsidiaries, partially offset by increases in timing differences related to amortization on capital assets.

In 1999, future income taxes decreased by $1.6 million due to reductions in timing differences related to amortization on capital assets and the increase in losses carried forward in three subsidiaries.

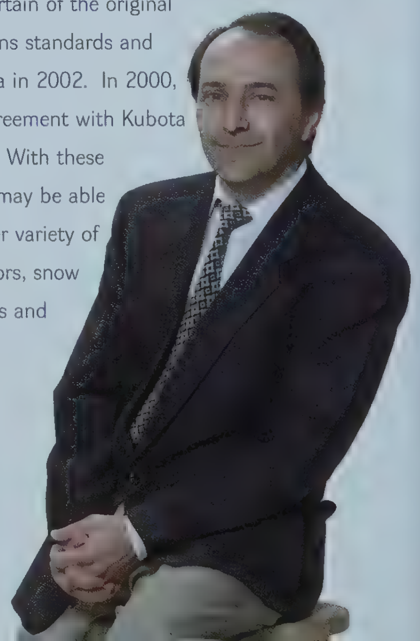
<u>Outlook</u>

The Company expects that sales revenue from its automotive business may not grow in 2001 above levels attained during the year ended December 31, 2000. Despite the Company's high level of new order intake, the economy appears to be experiencing a substantial reduction in annual vehicle production. The reduction in customer requirements which developed in the fourth quarter has continued into the first quarter of 2001. Also, the Company has experienced some retraction of new business and some delay in new business as a result of this downturn. Management views the current downturn as a short-term event. However, with the volatility of the market it is not possible to predict sales for 2001. Management is continuing to focus attention on improving the Company's profitability while staying prepared for new opportunities. Sales growth is expected to begin again later in 2001. The Company will continue to seek new opportunities for profitable growth in the coming year. The effect on earnings of a decline in sales could be as much as two and a half times the rate of a decline in sales, largely due to the high level of fixed costs, particularly amortization. If sales decreased by as much as 10% we could see declines in earnings of over 25%. Historically, the Company has found good business opportunities in downturns and the Company is ready to take advantage of such.

Subsequent to the year end, the Company is in the process of developing a minority joint venture to provide our customers with minority sourcing credits while taking advantage of our reputation for low cost, high quality and on time manufacturing.

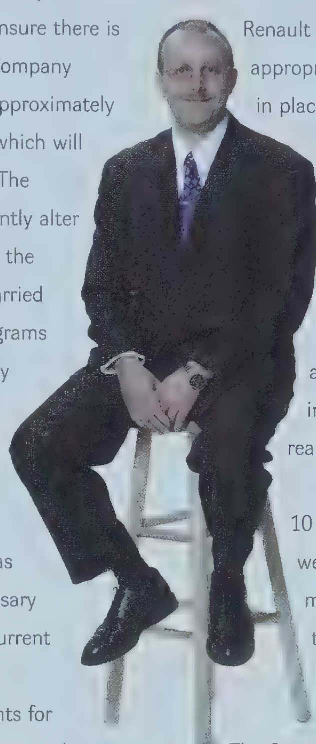
The Company continues to receive new automotive related contracts for machining and for assemblies with new order intake reaching record levels in 2000. Most new business in respect of precision machining typically has a six to twenty-four month start up phase while equipment is obtained and the manufacturing process is defined. Over the subsequent 12 to 24 months, the process is then refined and the customer's volumes are steadily increased to the expected full production level. In some cases the Company is able to take advantage of short-term production opportunities. These short-term opportunities result when the customer reaches capacity as the market grows. With the Company's recognized ability to react quickly with both people and equipment resources, Linamar is a preferred source for critical short-term contracts. Such business may not be available in the coming year. The Company limits its exposure under such programs by using general purpose equipment that can be used in other applications once the short-term contract ends.

In the second half of 1997, the Company obtained a contract to produce Onan gasoline and alternate fuel engines for power generation and other applications. The engines manufactured by the Company since 1997 are now being sold for use in portable arc welders, motor homes, and other commercial uses. Sales of these engines, which dropped to $73 million in 2000, had reached approximately $88 million in 1998 and $106 million in 1999. This decrease in sales following the higher revenues in 1999 is largely attributable to the widespread concerns over possible power failures at the beginning of 2000. As the anticipated problems did not materialize, dealers were left with high inventories and normal demand decreased following the high sales of 1999. The Company continues to pursue other opportunities for these engines. This business develops and extends the Company's assembly and other engine component capability. Certain of the original models do not meet new emissions standards and may not be sold in North America in 2002. In 2000, the Company signed a licence agreement with Kubota diversifying the product offering. With these additional engines the Company may be able to open up the market for a wider variety of applications including lawn tractors, snow throwers, go carts, power washers and small generators.

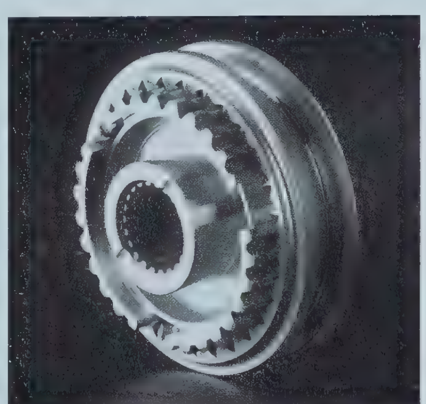


left to right: Werner Memering, Paul Riganelli, John Zardo

Management has allocated two new assembly contracts to this facility to diversify its product offering. The Company continues to enter into more long-term machining contracts. The Company attempts to maximize the use of general purpose machinery and reviews the timing of the expiry of these contracts to ensure there is minimal disruption to the Company's operations. The Company expects to make payments for capital assets totalling approximately $110 million in the next year, a substantial portion of which will be used to acquire new machinery for new programs. The volatility in the market during this period may significantly alter these expectations. The main planned investments are the Weslin foundry, the machinery for the contract to be carried out at the Windsor facility and new equipment for programs scheduled to begin in early spring in the Vehcom facility where floor space was added in 2000. These major purchases were largely committed by year end and are the cause of the unusually high level of commitments for purchases of capital assets. The balance of the planned investments will be used to increase capacity as required for current programs and to achieve the necessary efficiencies that accrue from appropriately employing current technology. At December 31, 2000, the Company had approximately $82.6 million in outstanding commitments for capital expenditures under purchase orders and contracts, and a further $16.8 million in accounts payable. In early 1998, the Company incorporated a subsidiary in Mexico to machine transmission parts for the automotive industry in Mexico. This business commenced production in mid 1999. Since the Company has committed to expand in this region, many of the Company's customers have expressed interest in the possibility of obtaining manufactured product with Mexican content from the Company's Mexican subsidiary.



In fiscal 1998, the Company also invested, with a 45% minority partner, in an engine assembly facility. This facility, located in Torréon, Mexico, had one million square feet of manufacturing space. During the year, the assembly and machining operations were consolidated into 495,000 square feet of manufacturing space and the remaining space and the unused land were sold. Currently this facility uses about 80% of its space for the machining of engine components and assembly of engines for Renault under a contract which lasts until December 2002. Management is currently negotiating to extend this contract. The unused space is available for further contracts. By the end of the current engine work with Renault the Company and its partners expect that an appropriate manufacturing opportunity for this facility will be in place.



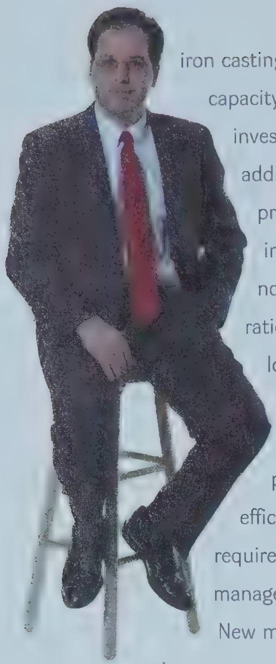
As previously noted, earnings at Mezögép Rt. are currently depressed due to many new programs in start up mode in their automotive component and precision machining segment and because of the depressed market for agricultural machinery. The Company anticipates only minor improvement in 2001 as both of these factors are expected to continue their influence. However, significant improvement should be realized in 2002.

The Company's main competition comes from 10 large companies, a number of smaller operations, as well as the inhouse capabilities of the automotive manufacturers. These competitors are mainly located in the USA. However there are several competitors located in Europe and Asia that are increasing their presence in the North American automotive industry. The Company has developed itself as a full service supplier to the automotive industry to distinguish itself from other suppliers. The Company continues to see strong emphasis with regard to price, quality and delivery.

The Company has been developing additional casting capability in a small casting operation, Diversa Cast Mfg. This casting capability allows the Company to use the "lost foam" technique to produce some castings for products that the Company currently machines. During 1999, the company installed a state-of-the-art casting line with new furnaces at the Diversa Cast facility in Guelph. With the new line in operation and new furnaces in place, the Company expects that production and sales will increase slowly but steadily. As this facility continues to be difficult to get under control, management is focusing on controlling the costs of operations.

In 1998, the Company also established a new entity, Standard Induction Castings Inc., which purchased the business of Standard Induction Castings Ltd. in the city of Windsor, for approximately $3.1 million. This business now only produces ductile

part shown above: synchronizer sleeve



iron castings. The Company expanded the productive capacity of this facility during 1998 with the further investment of $4.8 million, comprised of a building addition and additional manufacturing capacity. Due primarily to the disruption caused by the installation of the new equipment, this foundry has not been profitable. In 1999, management rationalized the foundry's customer base targeting long-run long-term automotive jobs and expanded its sales. New equipment at the foundry proved to be very difficult to work with. As 1999 progressed, management struggled to make efficiency improvements and meet its customer requirements. In early 2000, the Company put in new management and restructured the management system. New management attained some success in its rationalization program and efficiency improvements, as it concentrated on producing ductile iron castings. The Company expects the foundry to reach breakeven within two years with a sales level of about $25 million.

During 1998, the Company took advantage of two investment opportunities in the U.S.A. The first was the purchase of a business being developed to machine, clean and paint engine blocks for General Motors. The Company had hoped that this rented facility, located in Michigan, would be profitable in 1999. The start up at this facility proved to be very difficult. As production began, it became apparent that the equipment was not sufficient for the purpose of the contract. The Company found it difficult to attract appropriate personnel. It became evident that the contract price was not

adequate. During 2000, management resolved these issues and the facility is now close to a breakeven.

The second acquisition in the United States, which has proven to be more successful, was the purchase of a 60% interest in a business which machines cylinder heads and connecting rods for the partner holding the other 40% interest. The equipment used in this business is provided by the minority partner. The business, located in a rented facility in Florence, Kentucky is accounted for by proportionate consolidation. During the year this business secured three more components to machine and took a lease on a further 173,000 square feet, bringing the total leased space to 328,000 square feet.

part shown above: front housing

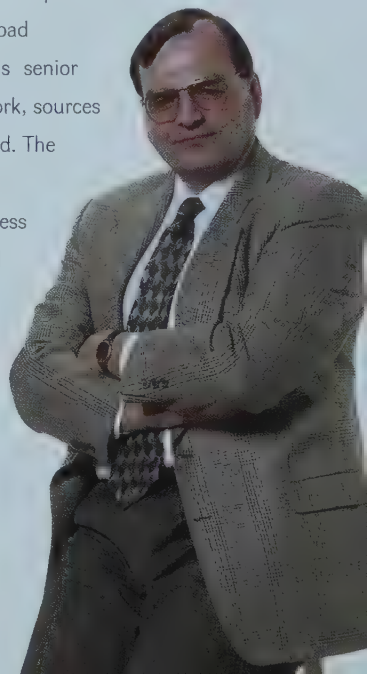
In 1998, the Company built a 97,000 square foot facility in Guelph to machine fuel system components for diesel engines. In 1999, this facility obtained a contract to machine driveline components. The Company also built a further 95,000 square foot facility in Guelph in 1998 to machine driveline components for the automotive industry, and in 1999 this facility obtained further contracts for driveline components. These numerous components require many sample approvals prior to full production. This is both a lengthy and costly procedure. In 1999 these facilities incurred large start up costs and continued to incur significant start up costs throughout most of 2000.

Efforts to improve margins, particularly at the start up plants are continuing. These efforts consist of working with employees, suppliers and customers to improve the processes to achieve appropriate margins. Improvements are being achieved through a combination of gaining operating experience on a number of new lines and the ramping up of contracts towards full production.

During 1999 the Company took steps to strengthen management to meet the operational challenges of growth. The Company appointed a dedicated Chief Operating Officer. The Company also redefined the Group Vice President position to improve the focus on operational performance. This redefinition restricted the scope of the position to three or four facilities. Simultaneously, the Company proceeded to select appropriate individuals to fill these new positions. The Company also appointed a Director of Quality at the Corporate level whose focus is the management of quality issues.

The Company is committed to continuously improving its hands on job specific training programs. Management is challenged to focus the employees on its goals, objectives, philosophies and operational practices while imparting the simple rules of thumb that our business was built with.

The Company operates through facilities that function as autonomous operating units. Each facility is operated as a profit centre managed by a general manager with production expertise who has discretion, within broad guidelines established by the Company's senior management, to determine hours of work, sources of supply and contracts to be performed. The independence of each plant allows the Company to react quickly to new business opportunities. It also allows operational decision-making and cost control to occur at the plant level, thus permitting the monitoring of each



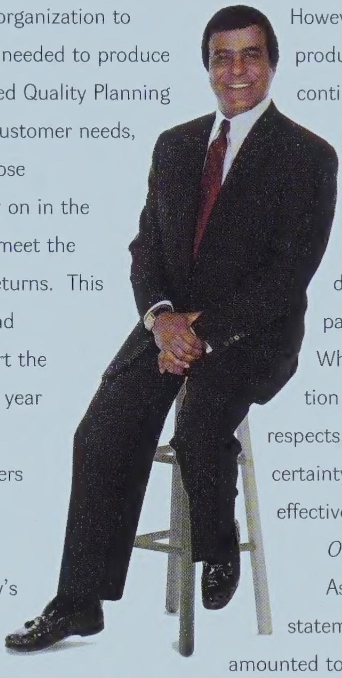
profit centre and the effective implementation of management incentive programs.

Linamar quality, manufacturing and engineering groups worldwide are working continuously to create the quality environment required to meet today's fast-paced competition. The Company invests heavily in effective training programs, stressing quality production and quality systems as a key ingredient. Advanced quality planning, lean manufacturing, and quality at the source are keys to approaching quality proactively rather than reactively. Linamar is striving to give responsibility for quality to the employee performing the operation. This creates responsibility on the organization to provide the operator with the processes and tools needed to produce a quality part every time. This starts with Advanced Quality Planning whereby Linamar strives to understand what the customer needs, hopes and desires are. Understanding up-front those requirements allows the Company to identify, early on in the development stage, processes that are capable to meet the needs of the customer while yielding acceptable returns. This philosophy has required quality, manufacturing, and engineering to become one unified team to support the operator and meet the needs of our customers. At year end, twenty-four of the Company's twenty-nine production facilities are QS-9000 registered suppliers and twenty-seven are ISO9000 registered. The Company's transportation facility is also ISO9000 registered. The continued success of the Company's quality program is evidenced by its success under these continual recertification programs.

The Company has in the past restricted its automotive research and development activities primarily to ongoing process development, undertaken at each plant by the management team in response to opportunities as they arise. As an integral part of its drive to become a full service supplier, in 1998, the Company established a small product development team with a dual focus. First, this group works with potential customers to develop the machining and manufacturing processes on new programs. Second, the group works with individual facilities on cost reduction efforts for their respective customers. The product development team primarily dedicates its efforts to transmission and engine components. Research and development for agricultural equipment and for the small engine business, although similar in nature, is more product than process oriented.

The Company continues to explore and obtain automotive components and parts opportunities in Europe for manufacture in its Mezögép Rt. facilities. The automotive experience gained from Mezögép Rt.'s production of vacuum pumps, recent machining of new automotive parts, and the related ISO9002 registration make the Mezögép Rt. subsidiary a capable producer for the Western European market.

The Company expects that in 2001 revenues from the agricultural equipment business at Mezögép Rt. will remain at current low levels. The corn headers produced by Mezögép Rt. for the Western European market currently represent the only agricultural product of the Company that has a significant share of its market. However, Mezögép Rt. does have a variety of other harvesting products which it produces. In addition, Mezögép Rt. will continue to supply AGCO with combine parts and assemblies through its long-term contract.



Risks associated with Eastern Europe include political and currency instability, developing infrastructure, the potential inability to repatriate earnings, and a developing legal framework. Certain of these risks, particularly currency instability, are also present in Mexico. While reforms directed at political and economic liberalization are in process in these jurisdictions, and in some respects, significant progress has been made, there can be no certainty that these reforms will continue or, if continued, will be effective.

Other

As noted in the accompanying consolidated financial statements, the Company's sales to the United States amounted to $ 1.1 billion. Similarly, many of the Company's raw materials, both forgings and castings, are purchased from the U.S.A. Many of the Company's contracts, both for revenue and expenses, are thus denominated in US dollars. The Company's policy is not to speculate on exchange rates. The Company minimizes the net foreign currency exposure in contracts by negotiating sale contracts, which provide a measure of exchange rate protection, and by entering into forward exchange contracts. These contracts, as described in note 11 to the consolidated financial statements, are designed to provide some protection for margins anticipated at the time of the contract award. The Company normally purchases forward contracts monthly for approximately three years to cover the projected exposed US dollar net cash inflow. During 1998, General Motors required the Company to convert its US dollar contracts to Canadian dollars. The Company is still currently under some pressure from some of its other US customers to quote contracts in Canadian funds. As a result, it is expected that the growth in the Company's foreign currency net cash

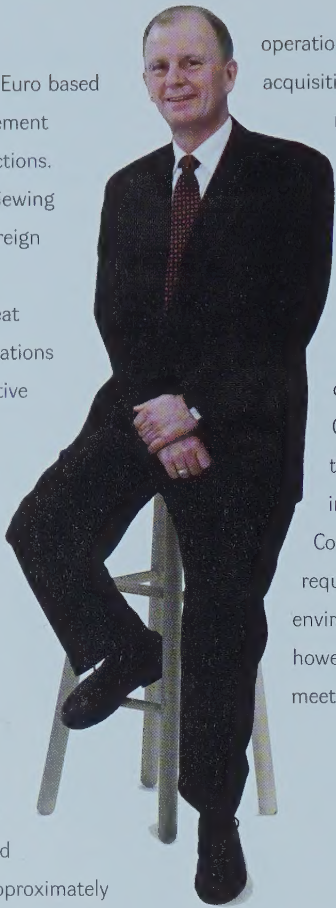
left to right: Francis Gobbi, Rolf Mueller, Ken Smith

flow will be reduced.

During 2000, the Company entered into two Euro based contracts for the purchase of capital assets. Management promptly purchased forwards to hedge these transactions.

Over recent years the Company has been reviewing its treatment of foreign operations with regard to foreign currency translation. After much consideration management determined that it is appropriate to treat Mezögép Rt., Industrias de Linamar and its U.S. operations as self-sustaining operations. This change was effective January 1, 2000.

The Company attempts to offset cost increases through productivity improvements. In the contract bidding process, economic inflation factors are estimated and applied to costs. Internal efficiencies achieved by purchasing and production improvements generally provide moderate inflation protection. Considering current rates of inflation in North America, the Company believes that inflation does not pose a significant risk.

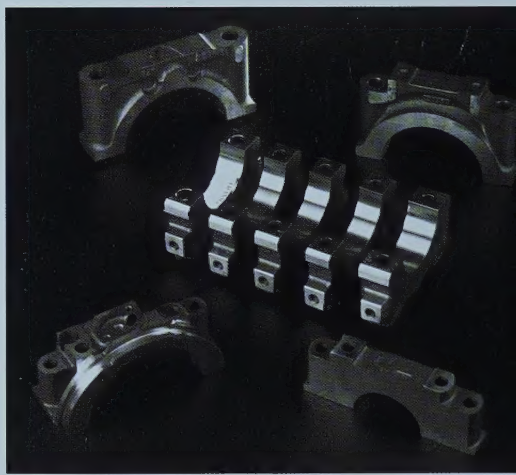


The precision machining business accounted for approximately 90% of the Company's consolidated sales during the year ended December 31, 2000. Approximately 26.9% of the consolidated sales were to customers included in the General Motors group of companies. Although no single product sold to this customer constituted more than 10% of the Company's consolidated sales, the loss of this customer or the delay or cancellation of any orders from or production projects for any such customers could have a material adverse effect on the financial condition of the Company.

The Company has been named in lawsuits related to certain employee-related situations. The Company is vigorously defending these actions. It is expected that these may result in immaterial costs to the Company either through settlement payments negotiated by the Company or through the insurance policy deductible payments in the cases that are being handled by the Company's insurers.

While management believes that the Company is in substantial compliance with all material governmental requirements relating to environmental controls on its operations, and carefully investigates environmental risks in its acquisitions, changes in such regulations are ongoing and may make environmental compliance, such as emission control, waste disposal and water quality management, increasingly expensive.

The Company has established an Environmental Committee consisting of senior management. This Committee reviews on an ongoing basis the Company's environmental programs and monitors its compliance with applicable environmental laws. This Committee reports quarterly to the Board of Directors of the Company. The Company also annually engages an independent environmental auditor to review the Company's compliance with applicable environmental requirements. The Company knows of no material environmental liability at this time. Management is not able, however, to predict future costs which may be incurred to meet environmental obligations.



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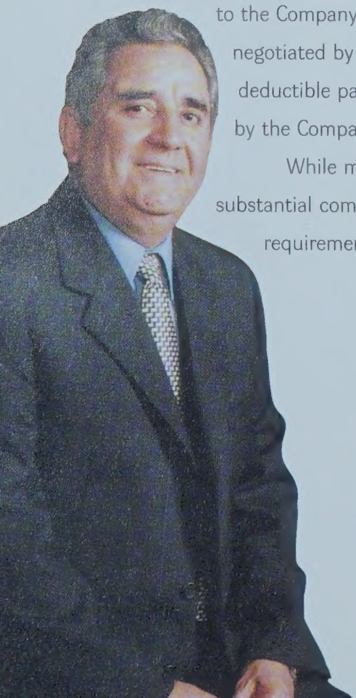


left to right: Antonio Celaya, Larry Cerson

OFFICERS

Frank J. Hasenfratz
Chairman of the Board & Chief Executive Officer

Linda S. Hasenfratz
President & Corporate Secretary

Jim Jarrell
Chief Operating Officer

W. George Sims
Chief Financial Officer & Treasurer

Michael Annable
Director of Human Resources & Administration

Mark Stoddart
Director of Sales, Marketing & Product Development

Nick Efthimakis
Group Vice President

Ted McGregor
Group Vice President

Bob Mallette
Group Vice President

Werner Memering
Group Vice President

Csaba Havasi
Group Vice President

DIRECTORS

Frank J. Hasenfratz
Chairman of the Board & Chief Executive Officer
Linamar Corporation

Linda S. Hasenfratz
President & Corporate Secretary
Linamar Corporation

Hugh Guthrie*
Partner Hungerford, Guthrie & Berry, (Barristers and Solicitors)
Guelph, Ontario

William J. Harrison †*
President & Chief Executive Officer
Lift Technologies Inc.

David Buehlow †*
Retired Partner of PricewaterhouseCoopers LLP (formerly Coopers & Lybrand)

John Jarrell†
Retired General Motors Executive

Mark Stoddart
Director Sales, Marketing & Product Development
Linamar Corporation

† Audit Committee
* Human Resources and Corporate Governance Committee

The report on Corporate Governance can be found in the Management Information Circular.

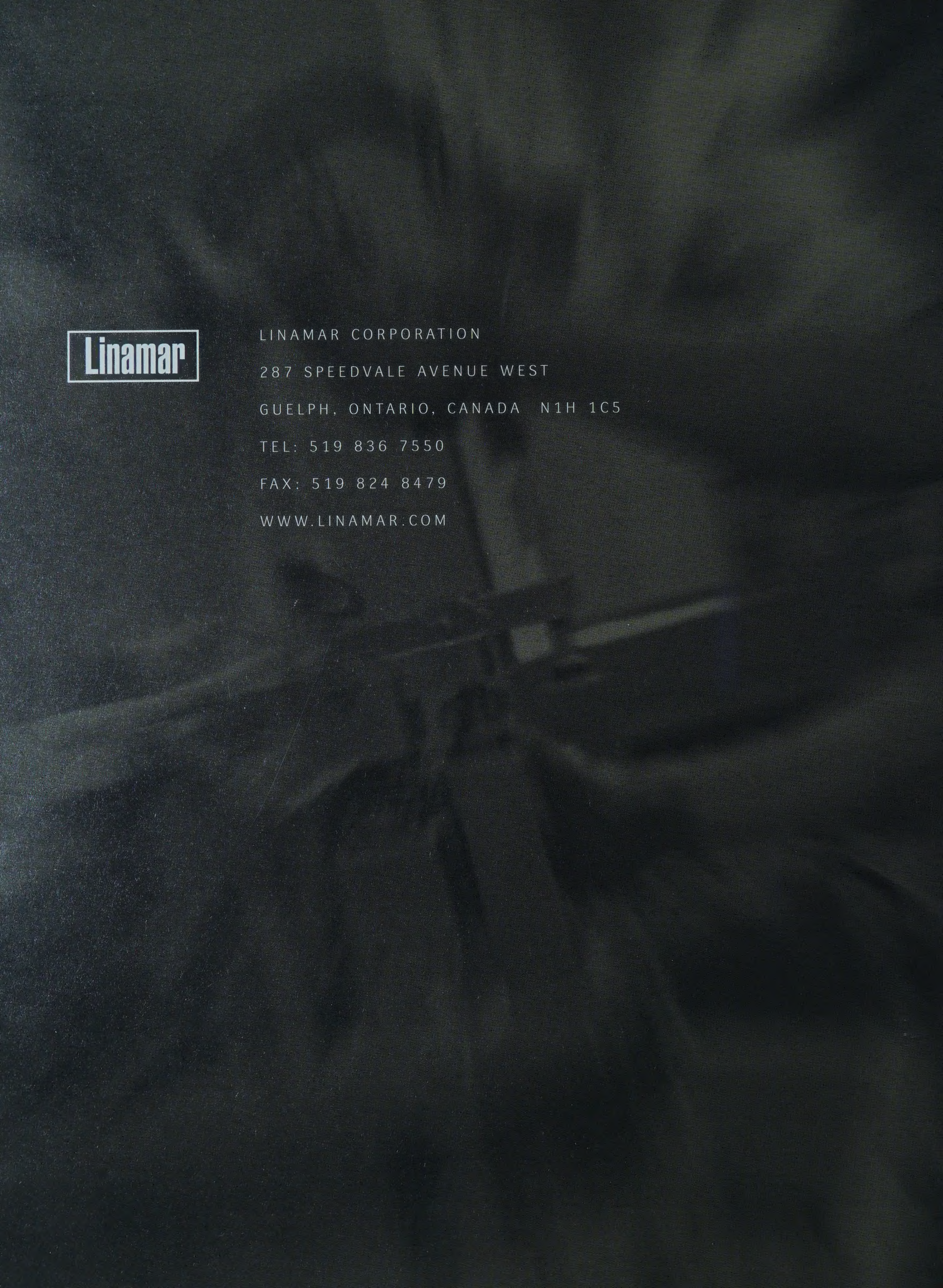
AUDITORS, TRANSFER AGENT & REGISTRAR

PricewaterhouseCoopers LLP, Chartered Accountants, Kitchener, Ontario are the auditors of Linamar Corporation. The transfer agent and registrar for the Common Shares of the Company is Computershare at its principal offices in Toronto.

SHARES LISTED

Toronto Stock Exchange trading under LNR

Linamar



Linamar

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